

Regional Political Risk Analysis: The conflict in the Niger Delta and its impact on the political risk of the Gulf of Guinea

By

Emil Gottfried Bischoff



*Thesis presented in partial fulfilment of the requirements for the degree of Master of Arts
(International Studies) at Stellenbosch University*

Supervisor: Ms. Derica Lambrechts
Department of Political Science

March 2010

Declaration

By submitting this dissertation electronically, I declare that the entirety of the work contained therein is my own, original work, that I am the owner of the copyright thereof (unless to the extent explicitly otherwise stated) and that I have not previously in its entirety or in part submitted it for obtaining any qualification.

Copyright © 2009 Stellenbosch University

All rights reserved

Abstract

Nigeria's ability to play a regional stabilizing role in the Gulf of Guinea is severely thwarted due to unresolved conflict in the Niger Delta. Stemming from agitation by local communities, it evolved from peaceful rallies into an armed insurgency with the youth as the vanguard, and the conflict has subsequently spread into neighbouring countries like Cameroon, Equatorial Guinea, and Benin.

The aim of this study was to analyse the conflict in the Niger Delta, southern Nigeria in order to assess its impact on the political risk of the Gulf of Guinea. Taking the form of a political risk analysis, a means of forecasting potential pitfalls for an investing client to mitigate or manage risk, the study postulated that a country specific risk analysis would not be sufficient to analyse an integrated system like the Gulf of Guinea. Many scholars have suggested that *regional* analysis has become more important than *national*. In the context of Africa contagion effects, the spill over, positive as well as negative from one country to another, casts doubt on the value of assessing only a country specific risk analysis. Taking this phenomenon into account, a regional risk index was created in order to assess the regional implications of the conflict in the Niger Delta. The index consists of six variables chosen from four political risk frameworks, namely the Economist Intelligence Unit, the Business Environment Risk Intelligence, The Brink Model, and finally the International Country Risk Guide. The variables were chosen on their utility for regional political risk analysis and their status as *major risk* variables, universal risk variables employed by various risk frameworks.

In the subsequent political risk analysis, the first four variables were rated as having a high risk while the latter two garnered a medium risk rating. As such the overall rating for the political risk of the Gulf of Guinea was found to be high. This study finds that conventional country specific risk models are still very much the preferred means of analysing risk, but that regional risk analysis would have to take a larger role in political risk analysis in the future.

Opsomming

Nigerië se vermoë om 'n streeks-stabiliserende rol in die Golf van Guinea te speel, word ernstig gedwarsboom deur die onopgeloste konflik in die Niger Delta. Die oorsprong van die konflik in vreedsame gemeenskaplike protestaksie vir meer regverdige verdeling van olie inkomste het uitgekring na gewapende konflik, beide in die Delta self en in buurlande Kameroen, Ekwatoriale Guinee en Benin.

Hierdie studie het gepoog om die konflik in die Nigeriese Delta te bestudeer om die impak van politieke risiko op die Golf van Guinea te assesser. Die studie het die vorm van 'n politieke risiko analise aangeneem, 'n middel van vooruitskatting om potensiële valstrikke aan 'n kliënt wat wil belê uit te wys om sodoende konflik te verlig of te beheer. Die studie veronderstel dat 'n landspesifieke konflik analise onvoldoende is om 'n geïntegreerde sisteem soos die Golf van Guinea te analiseer. Met menige akademici wat voorstel dat *streeksanalise* belangriker geword het as die *nasionale*, word daar in die konteks van die gevolge van Afrika-besmetting, die oorloop daarvan van een land na 'n ander, positief sowel as negatief, 'n skaduwee gegooi op die waarde van die assessering van slegs 'n landspesifieke konflik analise. Met hierdie fenomeen in gedagte, is 'n streek risiko inhoud geskep om die implikasies vir die konflik in die Niger Deltastreek, te assesser. Die inhoud is saamgestel uit 'n verskeidenheid van ses variante gekies uit vier politieke risiko raamwerke, nl die 'Economist Intelligence Unit', die 'Business Environment Risk Intelligence', die 'Brink Model' en ook die 'International Country Risk Guide'. Die variante is gebruik vir hulle waarde vir streekspolitieke risiko analise, asook die belangrikheid van hulle *hoof risiko* veranderlikheid, 'n universele *Hoof risiko* variant wat gebruik word in verskillende risiko raamwerke.

In die gevolglike politieke risiko-analise, is die vier variante beskou as 'n baie hoë risiko, terwyl die laaste twee as medium risiko beskou word. Dus is die algemene taksering vir die politiese risiko in die Golf van Guinea baie hoog. Die studie vind uiteindelik dat lande se spesifieke risiko modelle steeds die verkose manier is om risiko's te analiseer, alhoewel politieke risiko analise 'n groter rol sal speel in toekomstige streek risiko analise.

Acknowledgments

Firstly I would like to thank my Supervisor Derica Lambrechts for all her support and insight in helping me complete this research paper. I would also like to acknowledge the assistance and support of my parents who firstly allotted me this opportunity and secondly believed in the direction I have chosen for myself. Their constant love and encouragement has been a highlight in my life. Following from this, the help I garnered from Christine Stora and Jonathan Amid proved invaluable in the completion of this research paper.

Table of Contents

Abstract.....	iii
Opsomming.....	iv
Acknowledgments.....	v
List of tables.....	viii
List of appendices	viii
List of acronyms	ix
Map 1: Africa with the highlighted area representing the Gulf of Guinea	xi
Map 2: Nigeria with the highlighted area representing the Niger Delta	xii
Chapter One: Introduction	1
1.1. Background	1
1.2. Problem Statement	1
1.3. Aims and objectives	5
1.4. Research question	6
1.5. Literature Survey	7
1.6. Research design and research methods	8
1.7. Research limitations and delimitations	9
1.8. Thesis outline	9
1.9. Conclusion	10
Chapter Two: Conceptualisation and contextualisation.....	11
2.1. Introduction.....	11
2.2. Problem Solving Theory – A theoretical grounding	12
2.3. Conceptual clarification	12
2.3.1. Risk	13
2.3.2. Political risk and political risk analysis.....	14
2.3.3. Country risk and Country risk analysis.....	17
2.3.4. Regional Security	19
2.3.5. Militias	19
2.3.5.2. Ethnic militias	21
2.4. Selected political risk Frameworks	23
2.4.1. The Economist Intelligence Unit (EIU)	23
2.4.2. The Business Environment Risk Intelligence (BERI).....	26
2.4.3. The Brink Model (BM)	29
2.4.4. The International Country Risk Guide (ICRG).....	31
2.5. The major risk and regional risk variables.....	33
2.6. The synthesised major political and regional risk variables	35

2.7. Operationalisation of synthesised major political risk variables for regional political risk analysis.....	38
2.8. Conclusion	40
Chapter Three: Historical Narrative.....	41
3.1. Introduction.....	41
3.2. The phases of the Niger Delta conflict.....	42
3.3. Youth militancy in the Niger Delta.....	44
3.3.1. The Ijaw youth struggle	45
3.4. A profile of the Niger Delta militias	46
3.4.1. The Egbesu Boys	46
3.4.2. The Evolution of MEND.....	47
3.5. The current situation in the Niger Delta.....	50
3.6. Regional concerns	52
3.7. Conclusion	53
Chapter Four: The Political Risk of the Gulf of Guinea	54
4.1. Introduction.....	54
4.2. Conducting risk analysis	54
4.3. Major and regional risk variables.....	54
4.3.1. Political stability/ (lack of) political will/law and order	54
4.2.2. Bad neighbours/dependence on a foreign power/external conflict	58
4.2.3. War, armed insurrection.....	61
4.2.4. Ethnic/religious and/or politics/radical tensions social conflict, deep ideological cleavages	65
4.2.5. Authoritarianism/undemocratic measures to retain power/ generals in power	67
4.2.6. Religious fundamentalism/radical religious forces/religion in politics.....	69
4.3. Evaluation of findings	70
4.4. Conclusion	73
Chapter Five: Conclusion and evaluation.	74
Bibliography	80
Appendix A: The complete Brink model including the list of variables and indicators	Error!
Bookmark not defined.	

List of tables

Table 1: Regional Risk Index.....	39
Table 2: Overall Risk Rating.....	73

List of appendices

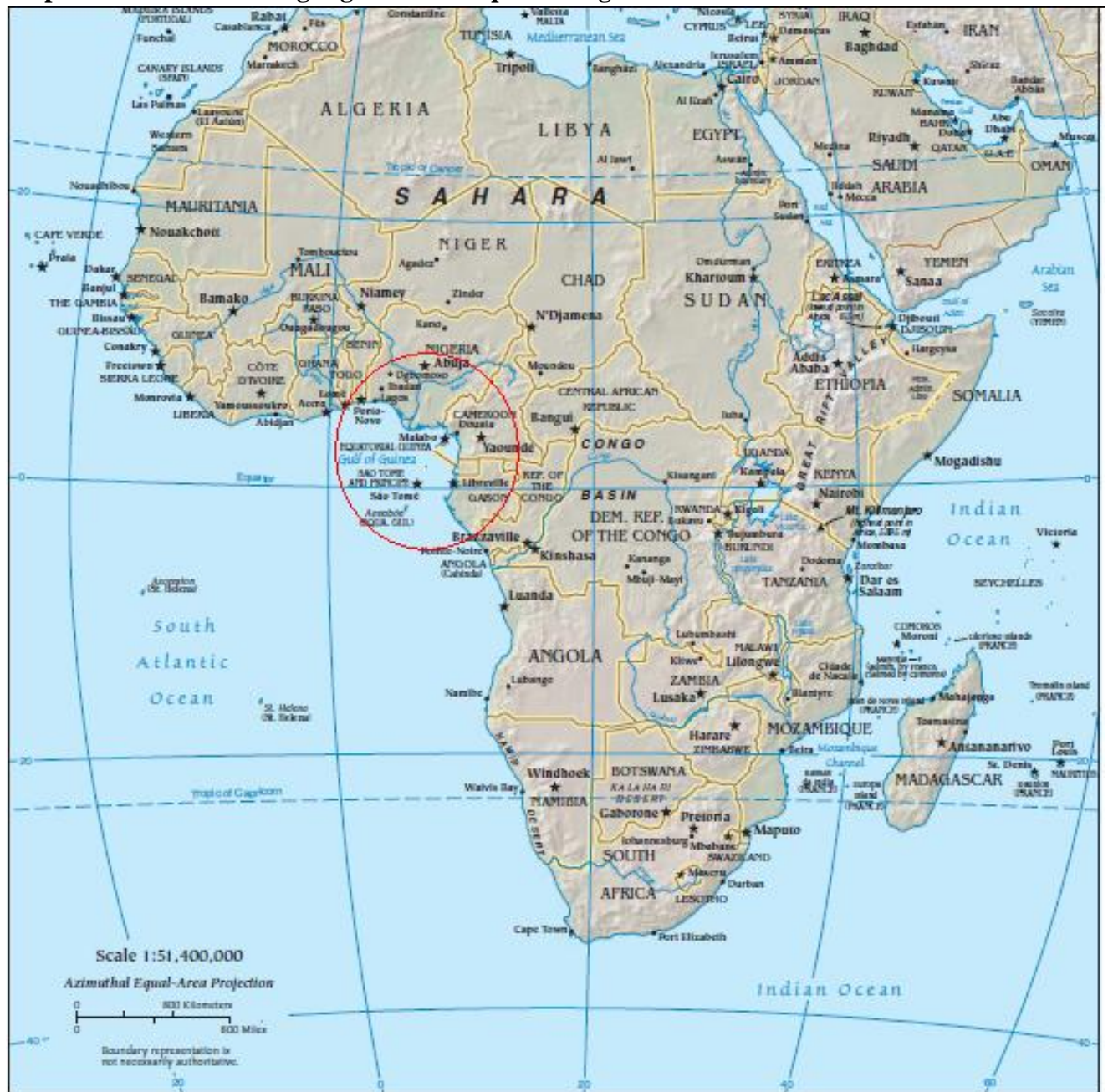
Appendix A: The complete Brink model including the list of variables and indicators.....	87
--	----

List of acronyms

BBC	British Broadcasting Corporation
BERI	Business Environment Risk Intelligence
BM	Brink Model
bpd	Barrels per day
BRS	Bergen Risk Solutions
CRI	Corporate Risk International
ECOWAS	Economic Community of West African States
EIU	the Economist Intelligence Unit
FNDIC	Federated Niger Delta Ijaw Communities
GDP	Gross Domestic Product
HRW	Human Rights Watch
ICRG	International Country Risk Guide
INEC	Nigeria's National Electoral Commissions
IYC	Ijaw Youth Council
JTF	Joint Task Force
LNG	Liquefied Natural Gas
NDDB	Niger Delta Developmental Board
NDDC	Niger Delta Development Commission
NDV	Niger Delta Vigilante
NDRM	Niger Delta Resistance Movement
NDVF	Niger Delta Volunteer Force
NPDVF	Nigeria Peoples Delta Volunteer Force
NNPC	Nigerian National Petroleum Corporation
MEND	Movement for the Emancipation of the Niger Delta
MNOC	Multinational Oil Companies
MOSIEND	Movement for the survival of the Ijaw Ethnic Nationality

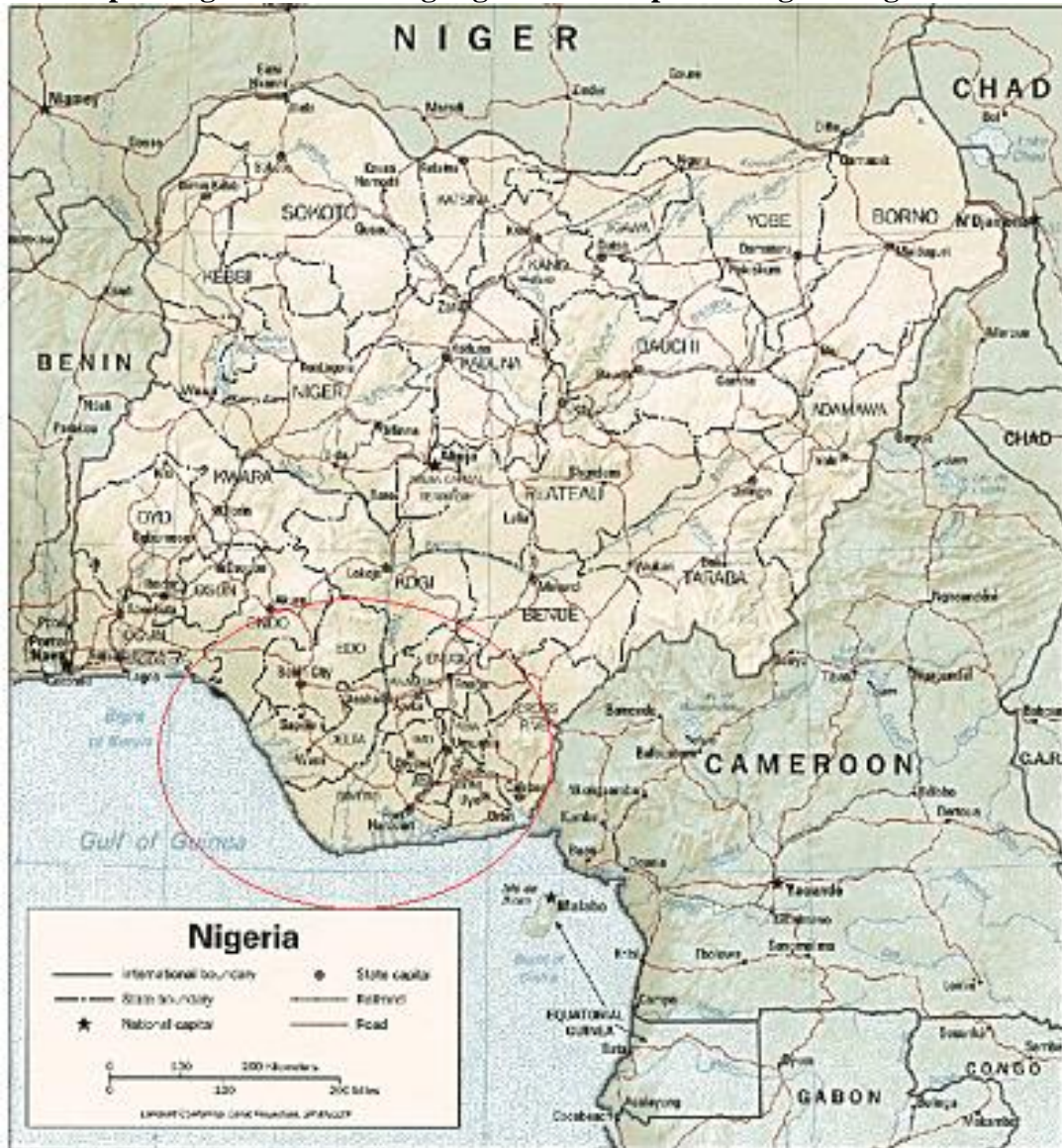
MOSOP	Movement for the Survival of the Ogoni People
OSAC	Overseas Advisory Council
PRI	Political risk Index
SADC	Southern African Development Community
SEA	Supreme Egbesu Assembly
Stratfor	Strategic Forecasting
VLf	Delta Volunteer Force
UN	United Nations
US	United States

Map 1: Africa with the highlighted area representing the Gulf of Guinea



(Perry-Casteneda, 2009)

Map 2: Nigeria with the highlighted area representing the Niger Delta



(Perry-Casteneda, 2009)

Chapter One: Introduction

1.1. Background

In a world ever increasing in its political insecurity, international actors are turning to political risk analysis to provide them with a decision making tool to guide potential expansion. However, as political insecurity has become significantly amplified in specific pockets of the world in the last few decades, political risk analysis as a discipline has transformed from an original mechanism to identify the political risks and assess the profitability of an operation, to a method that concentrates on managing the posed risk. This is specifically accurate relating to investors operating in the extraction industry of essential resources, such as oil in the Niger Delta, southern Nigeria.

This study will assess the growing insecurity in the Niger Delta and how this insecurity affects the regional political risk of the Gulf of Guinea. A political risk analysis of the impact should prove invaluable to international actors as possible future scenarios could be outlined and prepared for, thus mitigating the political risk.

1.2. Problem Statement

There has always been a relationship between politics and business, and the acknowledgement of and respect for this relationship enables a better understanding of risk. This relationship forms the dynamic against which international business is conducted. For this reason political risk analysis becomes an integral part of multinational company's planning for international expansion. It has been noted that the primary purpose of political risk analysis is the identification and forecasting of potential losses, or events that could potentially reduce returns (Howell and Chadwick, 1994:5). A secondary function of political risk, albeit of the same importance as the first, is suggesting ways in which the risk can be mitigated and losses avoided. There has been an extensive focus on risk aversion, but seeking opportunities and formulating country strategies are an integral part of any political risk analysis (Overholt 1982 in Hough, 2006:7).

Investors put assets at risk to achieve pre-determined financial objectives, and the analysis of these risks, including political risk, is the key to successful operations. Weighing up opportunities against potential losses becomes possible only after the initial risk assessment has been conducted. However, it is no longer prudent to simply investigate a specific country and draw up a compressive risk report.

The shift in emphasis from the nation-state to the regional power bloc has placed a significant amount of attention on the changing dynamics of international business. Because of this phenomenon, political risk analysis has also taken on new forms moving away from a narrow country focus to a more generic regional one. This study will focus on such a case where the narrow focus can not apply to an all-inclusive risk analysis. The case of Nigeria is a prime example of how insecurity in one country can expand beyond borders and significantly impact the political risk of a region as a whole.

Nigeria is one of the major sources of oil for the world market. In 2005, it was the eighth largest producer of oil in the world and has become an important supplier of liquefied natural gas (Ikelegbe, 2005:208). The insurgency in the Middle East, coupled with the failing relationships of the first world with major oil producing nations like Venezuela, has made Nigerian and generally African oil more strategic.

Oil and gas is the livelihood of Nigeria's revenues. As of 2008 it accounted for about 40 percent of the country's GDP and 70 percent of government revenues. However Nigeria's oil belt, the Niger Delta, is embroiled in resistance against the Nigerian state and the Multinational Oil Companies (MNOCs). The region is generally restive with sporadic insurrection and armed rebellion being a part of everyday life for the locals. Decades of oil exploitation, political manipulation, environmental degradation and state neglect has created an impoverished, marginalised and expropriated citizenry which has in turn produced a militia of which the youth is the vanguard (Ikelegbe, 2005:208). A regime of state repression and corporate violence has generated further criminal hostility, lawlessness, and insecurity. Moreover, the area is saturated by a proliferation of arms and institutions of violence ranging from the Nigerian Armed Forces to community ethnic youth militias, armed gangs and criminal networks, pirates and protection rackets.

The security situation in the Niger Delta is fragile and near collapse, as law and order as traditional authority systems and community governance structures have been severely eroded, due to the culmination of prolonged neglect and social crisis (Ukiwo, 2009). Conventional systems and structures have been replaced by militias and protection rackets that barter security for cash. The formal federal state structures such as state governance and local councils seem to have little impact on the estimated 30 million people living in the Delta region (BRS, 2007). Such government structures only exist on paper and constitute a nuisance to communities.

At the time of conducting this research, the magnitude of military deployments in the region indicates in stark terms that the Niger Delta is, despite the counterclaims by government, in a state of war. Unfortunately, massive troop deployments which cost the Nigerian Government millions of dollars every month have only had a minimal positive impact, on security in the region (Ukiwo, 2009)

The Niger Delta region in Nigeria is made up of nine states separated into 185 government areas. The region's population consists of at least 40 ethnic groups housed in around 6000 communities and settlements, speaking some 250 dialects. More than 1000 of these communities play host to oil-company operations of some sort or another (BRS, 2007). When oil was discovered in the 1950s hopes were high that its production would benefit the local communities, but due to the cost of training locals, MNOCs simply brought in foreigners to work within the industry. A combination of both high and low level corruption and general government neglect led to the social and economic degradation of the area. This resulted in the formation of numerous militia groups, each fighting for their community's share of the oil revenue.

Instability in the world oil supply and the critical link of oil to the conflict in the Niger Delta arose in the early 1990's due to tensions between the foreign oil companies and a number of Niger Delta minority groups who felt they were being exploited, particularly the Ogoni and the Ijaw ethnic groups (Murray, 2006:343). The ethnic unrests and subsequent conflicts in the early 1990's (such as those between the Ijaw and Itsekiri ethnic groups) coupled with the spike in the availability of small arms after the fall of communism led increasingly to the militarisation of the Delta (Reynolds, 2004). By this time the local and state officials had become involved by offering financial support to those paramilitary groups they believed would attempt to enforce their own political agenda further dividing the warring ethnic groups and increasing hostilities. Conflagrations have been primarily concentrated in the Delta and River states (Ikelegbe, 2005:212).

One cannot discuss the security situation in the Niger Delta without mentioning the causal relationship between the militias, the MNOCs and the neglect of the federal government as trigger causes for insurgency in the Niger Delta. It is common understanding that the Niger Delta militias arose in response to the repressive state, MNOCs' irresponsible environmental policies, and because of tension between the dominant minority groups.

Since 2006 the focus has been on attacks of oil installations, kidnapping and ransoming of foreign oil workers and the disruption of oil exports as a result of mounting attacks by heavily armed militias. If one were to profile these militia groups one would find the Federated Niger Delta Ijaw Communities (FNDIC), the Nigeria Peoples Delta Volunteer Force (NPDVF), the Niger Delta Vigilante (NDV) and the most prominent, the Movement for the Emancipation of the Niger Delta (MEND) (Obi, 2008). Although the origins of MEND is still uncertain, the organisation is perceived to have arose due to the belief that certain militia groups had been corrupted by the government. What ever their origins, MEND has thus far become the leading proponent in the fight for the minority Ijaw ethnic group in the Delta.

There have been signs of a gradual departure from the intra-Delta ethnic rivalries that had historically weakened solidarities for pro-Delta initiatives. The possible existence of some elements within the Nigerian military that are sympathetic to the cause of Delta militants is in itself indicative of the new trend in which most Delta ethnic minority rights stakeholders are rallying around the self-determination and resource-control agendas (Ukiwo, 2009). This factor is a great cause of concern to the region as a unified insurgency is more dangerous, and could potentially be the cause of ever greater insecurity in the already unstable Gulf of Guinea.

The insurgency led by MEND and its affiliates has since 2006 almost halved oil production in the Delta Region. In 2006 Nigeria was producing 2.6 million barrels bpd; however, after several crippling attacks by the insurgents the current Petroleum Minister Rilwanu Lukman put the figure at about 1.5 million bpd, less than half the nation's capacity (Lhuillery, 2009). The attacks against oil installations have taken on new forms as MEND are becoming more and more daring in their raids, venturing out further into the Gulf of Guinea than ever before. As a result the security situation in the Gulf of Guinea has become dire and the Gulf is second only to the waters of Somalia as the most dangerous in the world (BRS, 2007). As a point of clarification, the term Gulf of Guinea refers to part of the eastern tropical Atlantic Ocean off the western African Coast, extending westward from Cape Lopez near the Quarto, to Cape Palmas at longitude 7° west (Encyclopaedia Britannica, 2009). Countries that fall in this range are Ghana, Togo, Benin, Nigeria, Cameroon, Equatorial Guinea, Gabon, and Sao Tome and Principe.

Countries like Equatorial Guinea and Cameroon have thus far been in the firing line of the growing insurgency. Cameroon has experienced several piratical attacks in its waters and

some of its coastal town banks have even been raided while Equatorial Guinea has experienced numerous damaging militia attacks on their shores. It would seem the new sense of unity and the rallying behind the MEND banner has been translated into a heightened state of violence which severely affects the political risk of the Gulf of Guinea.

1.3. Aims and objectives

The main aim of this study is to analyse the conflict in the Niger Delta in order to assess the impact of the conflict on the regional political risk of the Gulf of Guinea. First and foremost this study is a political risk analysis. Political risk is a means of forecasting potential pitfalls for an investing client so as to mitigate or manage them. The use of political risk analysis will allow international actors to gauge the success of their operations in the Gulf of Guinea by means of a number of variables that will be selected in chapter two and analysed in chapter four. Because of the insecurity in the Gulf of Guinea, it is important for all potential investors to assess first the presence and second the level of political risk. In order to achieve this, a series of *major* political risk variables and regional important risk variables will be extrapolated from four risk frameworks, namely the Economist Intelligence Unit (EIU), the Business Environment Risk Intelligence (BERI), The Brink Model (BM), and finally the International Country Risk Guide (ICRG) in order to construct an index for regional political risk analysis. As noted by Brink (2004:83), what the bulk of the literature on political risk analysis has in common are overlapping areas that are of the foremost concern to foreign investors. From this one can deduce that there are certain major risk variables that most risk analyses frameworks have in common, and these variables will be termed *major* risk variables for the purpose of this study. As opposed to the variables being selected on the basis of their universality, some variables will also be chosen on their utility for regional political risk analysis.

The aim of this study is to determine political risk on a regional scale. Many scholars writing on the topic have suggested that *regional* analysis has become more important than *national*. In the contemporary landscape of both unsettled and reformed geographies, many parts of the world have become integrated economic units, with the European Union a prime example of such a case. In Africa a few such, albeit not as integrated regional power blocs have developed. The Southern African Development Community (SADC) or the Economic Community of West African States (ECOWAS), are a few examples of such regional economic blocs. By carefully noting these political and economic developments, it has clearly become necessary to evaluate the risk of a particular region rather than the risk of a specific

country. Contagion effects, the spill over, positive as well as negative from one country to another casts doubt on the value of assessing only a country specific risk analysis.

In order to achieve the above aims, the dynamic of the insurgency in the Niger Delta will firstly be examined. This analysis will determine the nature and the impact of the insurgency. A brief history of the conflict will be provided, before the new indicative trends that are currently emerging will be analysed. This section will provide the groundwork on which the second section of this study will be built. The second section of this study will determine the impact of the insurgency in the Niger Delta on the region – or the political risk of the Gulf of Guinea, using the major risk variables and variables useful for regional analysis (utilised in a regional risk index) that were extrapolated from the aforementioned risk frameworks.

1.4. Research question

The main research question guiding this study is: *What is the impact of the conflict in the Niger Delta on the political risk of the Gulf of Guinea?* Three sub-questions will be asked in order to ascertain this goal:

- *Looking at a number of established risk analysis frameworks: What are the major risk variables and regional important risk variables that can be extracted from these frameworks that will provide insight into regional political risk?* The discussion will highlight the so-called major risk variables while also looking for variables that can be utilised for their usefulness in analysing regional political risk.
- *Looking specifically at the general criminality, lawlessness and insecurity, what are the characteristics of the conflict in the Niger Delta?* This question will focus on an analysis of the region's largest insurgency group MEND and will specifically investigate if the organisation is changing its form and/or becoming more intense in its attacks.
- The final sub-question addressed in this research study is: *What is the current political risk of the Gulf of Guinea?* This will be achieved by using the regional risk index constructed from both Major risk variables and regional important risk variables extrapolated from the four risk frameworks to the Gulf of Guinea. These in turn will be applied to the conflict in the Niger Delta so as to determine this conflicts regional implications.

1.5. Literature Survey

For the purposes of this study a range of authors from various backgrounds will be consulted. For the underlying theory of political risk Charlotte Brink's (2004) book *Measuring Political Risk: Risk to Foreign Investment* will be used as the groundwork. Further articles from authors like Korbin (1978) *When does Political Instability Result in Increased Investment Risk*; Fitzpatrick (1983), *The Definition and Assessment of Political Risk Assessment: An Overview*; Baker and Hashimi (1988), *Political Risk Management; Steering Clear of Risky Business*; Alon and Martin (1998), *A normative model of macro political risk assessment*; Hough, Du Plessis and Kruys (2008), *Threat and risk analysis in the context of strategic forecasting* will be used to substitute where necessary. These authors will provide a clear understanding of political risk. As such, in order to perform the political risk analysis firstly the major risk variables from the four risk models will have to be extrapolated. The BM that will be used will be taken out of Brinks 2004 publication, while the EIU, BERI, and ICRG frameworks will be taken out of Howells' (1998) *Handbook of Country and Political Risk Analysis*. Howell and Chadwicks (1994) *Models of political risk for foreign investment and trade: an assessment* which discusses some of the frameworks relevant to this study will also be consulted. As far as regional political risk is concerned, authors such as Hawkings (1996) *Country risk profiles with specific reference to Southern Africa*, and Hough (2006) *An Introductory Context of the Methodological, Conceptual, and Theoretical Framework of Risk Analysis* will be consulted. Further to understand the conflict dynamic in regional security Mohammed Ayoob's (1995) book *The Third World security predicament* which focuses on state making, regional conflict and international systems will be used.

In order to obtain relevant literature on the Niger Delta and the Gulf of Guinea academics as well as some journalists will be looked at. The research of authors like Augustine Ikelegbe (2005) *The Economy of Conflict in the Oil Rich Niger Delta Region of Nigeria*, (2006) *Beyond the threshold of civil struggle: Youth militancy and the Militia-isation of the resource conflict of the Niger Delta region of Nigeria*, Cyril Obi's (2001), *Global, State, and Local intersections: power, authority, and conflict in the Niger Delta oil communities*, (2008) *Nigeria's Niger Delta, understanding the complex drivers of conflict*, and Ukiho Ukiwo, (2007) *From 'pirates' to 'militants': A historical perspective on Anti-state and anti-oil company mobilisation among the Ijaw of Warri, Western Niger Delta*, (2009) *Delta Causes and cures of oil related Niger Delta conflicts*, to name but the most important sources, will be studied. Along with academic sources, various news agencies will be consulted in order to

understand the current situation in the Niger Delta. News agencies like the British Broadcasting Corporation (BBC), Reuters, This Day, News24, as well as various risk groups like Corporate Risk International and Bergen Risk Solutions will be looked at to determine the most up to date information on the Niger Delta and the Gulf of Guinea. In order to present an effective risk analysis, the information one uses has to be as up to date as possible. Situations are continually in flux, and this constant movement and oscillation could result in the success or failure of business propositions and transactions in that specific country or region.

1.6. Research design and research methods

This research will use a qualitative approach to explore the nature of the conflict in the Niger Delta region of Nigeria and its influence on the regional stability of the Gulf of Guinea. A qualitative study is used as it allows one to measure soft variables such as social and political events, something quantitative data struggles with. This thesis will have an ontological perspective i.e. the reality is seen as subjective and an answer to *what happened* will be sought. However, to further enhance the study field a forecast for the Gulf of Guinea's security will be provided.

The study will be historical/descriptive and analytical in manner. The historical/descriptive part will be formed by examining the literature on the Niger Delta. Here the current situation in the Niger Delta will be explained and put into historical perspective. The thesis will be analytical as, once trends are analysed, it will look at forecasting possible future scenarios for the Gulf of Guinea's security. Although the components of the analytical framework are deductively linked, the factual matter is dealt with in an inductive manner based on literature and factual data study. As the study revolves around the Niger Delta region of Nigeria, a micro analysis of the region will be undertaken but the macro environment that this region finds itself i.e. the Gulf of Guinea will also be examined.

For the purpose of this study textual data will be utilised. Secondary data in the form of newspaper articles, reviewed academic papers published in journals, academic books, and credible internet sources will make up the bulk of the research material. Although it would be ideal to include primary data such as field work in this study, this is not a possibility due to time and financial constraints. It is hoped however that the vast body of research on the Niger Delta could mitigate this problem.

1.7. Research limitations and delimitations

The study will be delimited as only data until June/July of 2009 will be utilised. The area that this research circumscribes is very volatile, and dramatic changes happen ever so often. As such to delimit the study's content to June/July of 2009 will make the research more manageable and less sporadic. This study is qualitative and not quantitative and for this reason it is not at the mercy of inaccurate statistics or reports. However, because of its qualitative nature, caution still needs to be assured when conducting the research in terms of the reliability of the sources used as well as their applicability. Another limitation of this study has to do with the three of the four political risk frameworks namely; EIU, BERI, ICRG. In the modern world of competitive business companies usually do not supply their frameworks as it forms part of their intellectual property rights. This makes it extremely difficult to obtain risk frameworks, as they are essentially the competitive advantage the company relies on. Therefore the three frameworks were selected because they are one of the few examples where companies readily supplied their frameworks, and on the basis of the qualitative pool of variables that they represent. The BM framework formed part of Brinks (2004) publication and as such was easily attainable

An obvious limitation to this study is the lack of primary sources. It is my hope that this factor can be mitigated by the vast body of literature that already exists on the Niger Delta crisis and current news affairs. As I have no control over the production of this secondary information so in order to maintain an academic standing, only peer reviewed texts and credible news agencies will be utilised. Furthermore, because of the vast body of literature on Nigeria and the numerous almost innumerable ethnic and youth militias in the Niger Delta, there needs to be a limitation of focus. Although I acknowledge that there are numerous ethnic and youth groups in the Delta this study will primarily focus on MEND and their affiliates.

1.8. Thesis outline

The first chapter provides a general introduction into the topic. Firstly, a problem statement is presented followed by the aims and objectives this study hopes to achieve. Also included in this chapter is research design and methods and the study's limitations and delimitations.

The second chapter will start with an extensive literature review, with the purpose of conceptualising key terms central to this study. Further, this chapter will serve the purpose of extrapolating a series of major risk variables and regional important risk variables that will be

grouped in a risk index and used in the fourth chapter to analyse the political risk of the Gulf of Guinea.

The Third chapter will provided a historical background to the conflict in the Niger Delta. The history of the conflict will be examined in conjunction with the history of MEND. Finally the current situation in the region will be examined in so doing creating a springboard, from which the political risk analysis can be undertaken.

The fourth chapter will serve the purpose of determining the political risk of the Gulf of Guinea. The major and regional risk variables that were derived at in chapter two will be applied to the conflict in the Niger Delta and the impact of these variables for the whole region will be examined. The second part of chapter four will be a discussion of the findings of the political risk analysis.

Finally, the fifth chapter will serve as a conclusion for the study. In this chapter the findings of the five previous chapters will be summarised. An evaluation of the usefulness of regional political risk analysis, as well as the value of this study as a whole, will be provided before a conclusion is drawn.

1.9. Conclusion

This chapter sought to provide an introduction into the topic which this study proposes to investigate. It has become clear that political risk has become a prominent decision making tool to guide potential investment. The primary use of political risk analysis is to forecast losses, while a second tier use is to suggest means of managing the risk and in so doing avoiding loss.

The object of investigation in this study is the Gulf of Guinea and how the continuing insurgency in the Niger Delta is affecting the political risk of the region. Although political risk is still mostly used on a *country* basis, this study proposes to identify major and regional risk variables that would extend the disciplines reach into the regional arena rather than the national. In modern times with the integration of many countries into regional power blocs it has become imperative to analyse risk on a regional scale. If one wants to conduct a thorough political risk analysis, then geo-political considerations must be underscored.

Chapter Two: Conceptualisation and contextualisation

2.1. Introduction

The aim of this chapter is twofold. Firstly, concepts that are central to this study will be conceptualised. This will create a clearer, concise understanding of the underlying theoretical elements of risk analysis. The second section of this chapter will look at four political risk frameworks in order to extrapolate major and regional political risk variables. As a result of the current abundance of risk frameworks, overlapping variables have been identified and it is possible to select universal risk variables which are also regarded as *major* variables as mentioned in chapter one. The regional risk variables will be chosen on the basis of their utility for conducting a regional risk analysis.

Risk analysis is an ancient art practiced for centuries by decision makers from various backgrounds, be they merchants, or individuals in the political or military field. Political risk analysis however emerged as a scientific field during the Cold War era and reached its apex in the 1980s (Hough, Du Plessis, Kruys, 2008:6). Although it remains an important tool in the modern context, the field has been subjected to critical review and even deemed to have passed its usefulness. The decline of soft science during the 1980's can be attributed to among others, the fact that the assessments were not integrated into corporate decision making (Howell, and Chadwick, 1994:71). However, increased uncertainty and the salience of non-traditional business and societal risks such as terrorism, corruption, and global warming in the 21st century has increased the awareness of the risk complex environment while subsequently increasing the demand for risk analysis.

The demand has spread to the security field, mainly as a result of the broadening and deepening of human security thinking, and emerging trends in ever expanding feelings of insecurity. As Hough, Du Plessis, Kruys, (2008:7) explain, analysts subsequently applied the term risk to these security related challenges, in the process including the wider range of residual security risks than normally associated with risk analysis.

In order to determine the political risk of the Gulf of Guinea, four risk frameworks will be consulted in order to extrapolate major and regionally important risk variables from them. The four political risk frameworks are the EIU, BERI, BM and ICRG. These four frameworks were selected on the basis of the qualitative pool of variables that they represent. In addition, the selected risk frameworks can easily be analysed as the common attributes

(risk variables) are available. In the current context of political risk analysis, many risk companies see fit to tailor their services for every client, making it difficult to find the major variables as there is no standard framework from which to work. In such cases the risk variables or risk frameworks usually form part of a company's intellectual property right. This study will aim to use the analysed risk variables to create a regional political risk index, which can be used as a blueprint when looking at regional political risk analysis.

2.2. Problem Solving Theory – A theoretical grounding

If an investor is interested in an investment opportunity, yet is uncertain about the best option, various possibilities can be analysed and compared by means of political risk analysis as a way of managing such uncertainty. The application of management science can be viewed as a rational attempt at problem solving, bearing in mind that such 'problems' do not exist in a vacuum, but relate externally to the decision making environment as well as internally to individuals understanding of reality. As the name *problem solving* denotes, the theory concerns itself with situations in which one or more choices must be made, often under conditions of uncertainty and risk.

In all decision making processes Bunge (in Brink, 2004:30) explains that rational agents behave as risk-averse person's intent on minimising uncertainty with the help of expert knowledge. Moreover, if the individual is unable to reduce these uncertainties to below an acceptable level, the rational agent will refrain from acting, or the foreign investor will refrain from continuing that specific expansion. Complementing problem solving theory, decision theory is generally assumed to be a theory underlying rational decision making and uncertainty (Brink, 2004:30). In problem solving, potential solutions require a consecutive ordering of ideas that can be tested. It becomes evident that solving the problem of where to invest requires observation in order to find potential solutions.

Political risk analysis and country risk analysis are based on problem solving theory, but includes some elements of decision theory. In the following section, the concept *risk* will be conceptualised before the concepts of political risk and country risk are investigated.

2.3. Conceptual clarification

Although the terms *risk*, and *political risk* have been used in a self explanatory manner in the study thus far, the nominal definition and operationalisation of these concepts is greatly contested and highly problematic. Since these terms, among others are central to this study it suffices to provide some conceptual clarification of them. In the following section concepts

that are central to this study will be conceptualised while also creating a better understanding of some underlying theoretical elements of risk analysis.

2.3.1. Risk

The concept *risk* encompasses any actions of which the consequences are uncertain and equally undecided. Risk has been defined as the uncertainty surrounding an event and outcome in a specific situation (Valsamakis, Vivian, and Du Toit, 1999:39-40). In certain descriptions of risk, probabilities and not only outcomes are salient, and in this regard risk, is viewed as the likelihood that validly, predictable direct and indirect consequences with potentially adverse values will materialise arising from particular events, self behaviour, environmental constraints, or the reaction of an opponent or third party (Vertzberger, 1998:22). The extent of risk is determined by the degree of uncertainty surrounding a specific event in a specific situation in which loss is possible (Hough, 2006: 3). In this regard it has also been argued that risk denotes a degree of uncertainty regarding a specific occurrence and not the degree of probability that it will occur. The question therefore is whether an event will occur and what the outcome will be (Valsamakis, Vivian, and Du Tiot, 1999:39-40).

The concept of risk, threat and uncertainty are at times used as synonyms or related concepts where they represent degrees of intensity or impact. Risk refers to a lack of knowledge about problem structure and consequence in a situation where decisions have to be made (Hertz and Thomas, 1984:3). However as Vertzberger (1998:20) points out risk should not necessarily be equated to uncertainty as ‘risk exists even when there is a perfect knowledge of all possible outcomes associated with an event and what is known of the probability distribution of its result’. Thus *risk* simply refers to a potential danger, while uncertainty refers to when a decision maker has neither the knowledge nor the information on the probability distribution of these outcomes. Further, while risk is viewed as the potential for negative consequences following from a certain course or action (or inaction), *threats* are seen to be the potential for negative consequences arising from a specific situation and to which some responses have been formulated. In this regard threat assessment precedes risk assessment.

In addition, the texture of, taste for and context of risk is also noted. Texture refers to the attitudes that define the nature of and salience of risk, these are transparency, or clarity and understanding of risky consequences; severity, or its seriousness damaging nature; certainty, or the (un)certainly of it actually materializing; horizon, or its closeness in time; complexity, as determined risk dimensions; reversibility, or whether it can be reversed and at what cost;

controllability and containability, or the extent to which it can be maintained to manageable propositions; and accountability, or whether decision-makers will be held responsible for it (Hough, Du Plessis, Kruys, 2008:12). The taste for risk refers to decision-maker preference for a particular type or combination of risk and risk attitudes.

The context of risk is determined by the vividness and salience of risk, prior to planning, and existing commitments. Vividness is associated with the inherent nature of the risk and its salience within the context of the situation involving risk. Risks become more salient if more information is available; if the time horizon decreases and the risk draws nearer; if events are intrinsically risky; if outcomes are irreversible; if decision-makers are personally held accountable for their decisions; if risk involve core values, interests and objectives; and if risks emerge in a comprehensive rather than in a piece by piece meal fashion (Hough, Du Plessis, Kruys, 2008:12). Since risky ventures are preceded by planning, the planning process has to anticipate and manage risks. Paradoxically, (over) planning can be counterproductive if it leads to over-confidence in the incorrect estimation of the time required to attain goals, and to greater involvement of decision makers who lack knowledge and experience.

The concept of risk is used when the probabilities of outcomes are uncertain but the situation itself poses a plausible possibility that at least some outcomes are unknown and will have adverse consequences for decision makers (Vertzberger, 1998:20). As such risk lies somewhere between certainty (where outcomes are known) and uncertainty (where the outcome are not known). As such a typology of risk emerges that distinguishes between real risk, perceived risk, and acceptable risk (Hough, Du Plessis, Kruys, 2008:10). Real risk, irrespective of whether decision-makers are aware or unaware of it, is the actual or objective risk resulting from behaviour or a situation. Perceived risk is the socially constructed and differently experienced level of risk subjectively attributed to a situation or behaviour by decision-makers in pursuit of their goals. Finally, acceptable risk is the level of sustainable risk borne by decision makers in pursuit of their goals. Real, perceived, and acceptable risk may be incongruent with each other, although some correspondence is the ideal.

2.3.2. Political risk and political risk analysis

As discussed earlier political risk and the analysis thereof has undergone a series of definitional and operational challenges and consequently as noted by Hough, Du Plessis and Kruys (2008:17) the discipline suffers from over-definition.

Early definitions of political risk focused on adverse government actions. According to Alon and Martin (1998:10), three problems were inherent in the first definitions. Firstly, the scope of political risk was too narrow which led to inappropriate conceptualisation, wrong selection of data, improper use of analytical tools, and misinterpretation of the results. Secondly, the assumption that political risk necessarily exerts negative influences on a firm is not always true. A number of researchers have challenged this notion. An example of a positive variation of political risk is the transition of former communist countries to market economies (Alon and Martin, 1998:11). Thirdly the emphasis of government actions and political events distract from other causes of political risk. It is suggested that political risk should be viewed as a discipline that changes over time.

Part of the success of a business operation can be attributed to the political risk analyst who will have to assess the level of political risk before initial deployment by studying trends and signs. In addition, after deployment, the cost of running high political risk business operations in the modern world can be extremely expensive and as Baker and Hashmi (1988:40) correctly assert 'political risk analysis is an integral part of multinational business operations.' Instability in foreign political and social systems, changing power structures in international relations and growing demands by host countries for a greater control over operations of Multinational Enterprises have all brought into question the traditional ways of assessing foreign investment opportunities. As Simon (1984:123) correctly asserts, market surveys, cash flow and foreign exchange analyses, econometrics, and theories of comparative advantage are not designed to forecast political and social upheavals. For this reason political risk analysis has become one of the fastest growing sectors in international business study.

Political risk analysis is a means of managing the risk for investors in such a way that a profit can be made. Micallef (1981:48) conceptualises political risk as 'the systematic means of assessing and managing political risk of foreign direct investment or international business.' A less tautological definition comes from Howell (1998:3-4), who describes political risk as decisions or events of a political nature, whether the result of direct or indirect government action or inaction, or the result of non-government political event and forces. Another definition comes from Hough, Du Plessis, and Kruys (2008:17) who define political risk as the possibility that political decisions or events in a country will affect the business climate in such a way that investors will lose money or not make as much money as they expected when the investment was made.

A more extensive definition is one provided to us by Brink (2004). According to Brink political risk analysis is:

‘the analysis of the probability that factors caused or influenced by the (in) action or reaction of stakeholders within a political system to events outside or within a country, will affect investment and business climates in such a way that investors will lose money or not make as much money as they expected when the initial decision to investment was made (Brink, 2004:1).’

For the purposes of this study the Brink (2004) definition of political risk will be used:

- The definition correctly asserts risk analysis’s purpose i.e. to forecast a country’s future for the benefit of the investor. In the field of political risk analysis many authors agree that forecasting and not prediction should be at the forefront of the investigation (Brink, 2004:27-28). A prediction can be seen as stating that something *will* happen, whilst forecasting refers to the *likelihood* and/or *probability* that something *may* happen if other factors come into play. Therefore a forecast presents an estimate to something that may happen in the future, a probability that a certain country *might* pose a *certain* degree of political risk to a foreign investor (Brink, 2004: 27).
- Brink’s definition is also notable in mentioning the fact that influences can be external as well as internal to a country. Judging by the definition, the perceived value of risk analysis is that it removes a certain amount of uncertainty in a presented host environment.

In order to further conceptualise political risk, the mentioned interdisciplinary nature thereof has to be kept in mind. An awareness of an investment scenario includes updated knowledge of a country in the areas of politics, history, culture, law, economics, and international relations, as well as knowledge of the investing firm’s role in the host countries economy and its impact on the environment and society. However, one has to note that although political risk (the actual risk) and political insecurity are mentioned as negative contributing factors to political risk (the discipline of analysis) these uncertainties can sometimes be regarded positively. If an investor knows the risk the risk can be turned into a positive by adapting to it and working around it. As Brink (2004:21) argues, ‘if the uncertainties are managed accordingly the possibility of being able to exploit them becomes a reality.’ The presence of political risk does not thus always have to be negative, there are possibilities of turning them

into an advantage as long as the investor is aware of them. Certain types of manageable levels of risk analysis can even encourage certain investment endeavours.

The management of risk is described as a managerial function aimed at protecting the organisation, its staff, assets and profits against the physical and financial consequences (adverse) of event risk (Hough, Du Plessis, Kruys, 2008:13). To the extent that it is related to but distinguished from risk analysis, risk management is the process by which risk analysis findings are evaluated in the context of political values and a decision is made about what s to be done about the risk problem. Accordingly, risk management is an executive or political function of a value-laden nature that involves a risk strategy and approaches aimed at risk avoidance, risk control, and risk recovery.

2.3.2.1. Political risk and Political Instability

As with the various definitions and typologies for *risk*, so too must the distinction be made between political instability and political risk. Political instability refers more to unexpected or unforeseen changes in leadership succession, government policy, or in a government's implementation of power than political risk (Brink, 2004:19). It is thus but one criterion that points toward the probability of risk occurring. Political instability can be political risk factor and it is biased uncertainty about the probability of political events taking place. Kobrin (1978:114) explains it best by noting 'political instability is a property of the environment whilst political risk is the property of business.' Political instability is the property of the environment, because the environment does not necessarily affect the business's investment in the country (Fitzpatrick, 1983:250), whilst political risk is a property of business, as it is to be regarded as posing a high probability that it may affect investment.

2.3.3. Country risk and Country risk analysis.

When looking at political risk analysis it is important to distinguish between *political risk* and *country risk*. In certain views, political risk analysis has a narrower meaning than country risk analysis, however in other views country risk originally had a narrower meaning relating mainly to the credit-worthiness of a country (Hough, 2006:5). As a result of the limitations of this approach, a separate set of variables was developed which incorporated political risk into country financial risk analysis. Although political risk analysis and country risk analysis are often used as synonyms, the former is more specific than the latter. Whereas political risk assessment is and management of risk emanating from political decisions or event (including

some social events), country risk is a broader concept including economic, financial considerations in a specific environment and some aspects such as travel risk not directly, or indirectly related to political decisions (Hough, 2006:1).

Country risk can be defined precisely by referring to sovereign, credit and transfer risk (Brink, 2004:23). Country risk differs from political risk in the sense that it can be explained as potential financial losses due to problems arising from *macroeconomic* events within a country. Country risk thus focuses more on the economical data of a country, looking at the portfolio investment and the financial sector. Another difference between country risk and political risk that Brink (2004:23) provides is that 'Country risk implies a country's *inability* to repay loans, while political risk relates to the country's *unwillingness* to do so.' The latter point refers to the unwillingness to repay a loan even if the country is capable of doing so, be it for ideological or other reasons.

The distinction between intended (un)willingness and (in)ability to repay loans is important but problematic to differentiate. This is where political risk can make a contribution. As country risk greatly relies on the components of a country's balance of payments, these fluctuations in these components are really often a symptom of more deeply manifested policy problems that are identifiable by doing a political risk analysis. This analysis is important as it determines some of the country's government's intentions and makes it possible to forecast its likely behaviour in other situations that may affect an investment while also assessing the willingness of a government to follow through on what they have agreed to do.

This may be pertinent in situations where an agreement is made between a company and a host country stating the ground rules for investment i.e. the country will not nationalise its industries etc. It may also be important in situations where there are joint ventures between the national government and a foreign investor.

It is essential to note that levels of country risk are not attached to levels of political risk and vice versa. A country may experience high levels of country risk while having little political risk. Further, factors within country risk could be included as variables in a political risk analysis; however political risk variables hardly ever appear in country risk reports (Brink, 2004:18). Country risk and political risk is therefore somewhat related, as seen above, but they are usually used for different purposes.

2.3.4. Regional Security

In the world of political and country risk and the analysis thereof, many authors such as Hawkins (1996), Hough (2006) and Ohmae (1996) have argued that risk analysts should take cognisance of the fact that the *regional* has become more important than the *national* when assessing the level of risk. Globalisation of markets and the growth of the international portfolio investment have diverted attention away from the narrow *nation* view. In many views the regional state has taken prominence over the nation state (Ohmae in Hawkins, 1996:2). One cannot for example conduct a meaningful risk analysis of a country such as Germany without assessing the regional risk for the European Union as a whole. Contagion effects, the spill over, positive as well as adverse, from one country to another casts doubt on the value of assessing only a country specific risk analysis. A country like Cameroon for example might have an effective administration that is business friendly but unless one looks at its neighbour, Nigeria, and the trouble that country has with security in the Niger Delta, a complete political risk analysis cannot be conducted effectively.

According to Ayoob (1995:47), there are two major sources of interstate conflict and insecurity in the Third World; (1) the intermeshing of domestic insecurities with interstate antagonisms, and (2) the autonomous dynamic of regional conflict, which is often centred on the aspirations of preeminent regional powers. This study will primarily be concerned with the latter option. In many instances, the major evidence of the existence of a security complex (a regional defined primarily in conflict and security terms) is the presence of a pre-eminent power in a geographic area with latent or overt claims to the status of the security manager of that area. As Vayrynen (in Ayoob, 1995:59) states, ‘usually such regional powers centres sit at the top of the hierarchy of an identifiable regional subsystem, Indonesia, India, and Nigeria may be seen as examples of this’. Regional power centres can have coherence to regions by arranging the security concerns of discrete geographic areas around their own ambitions and capabilities. When viewing an integrated system like the Gulf of Guinea, it is almost impossible to determine the security of a single country without accepting the casual relationship between the various players in the region.

2.3.5. Militias

According to the Oxford (2009) dictionary, a militia is a body of citizens as distinguished from professional soldiers in a paramilitary group and typically regarding themselves as defenders of individual rights against the presumed interference of the federal government. For the purposes of this study, two such militias of importance for the analysis of the conflict

in the Niger Delta will be conceptualised namely: youth militias and ethnic militias. With the youth as its vanguard the conflict in the Niger delta has always been ethnically charged, when it is not directed at the MNOCs. As will be examined below the two concepts are inadvertently linked, and following their separate definition, they will be used in conjunction throughout the study as one concept.

2.3.5.1. Youth militias

In sociological terms, *youth* is a social category of early adulthood, emerging in activity and involvement in society but somewhat limited by societal values and some level of dependency and perhaps agency (Durham in Ikelegbe, 2006:88). The definition of *youth* is situational and cultural specific, while the African concept of *youth* is broad in its chronological specification and role.

In Nigeria the militia movement is perpetuated by the youth and as such the insurgency in the Niger Delta has almost become synonymous with this age group. This is partly due to the fact that the vast majority of Nigeria's population is between the ages of 15-35 (Ikelegbe, 2006:88-89). Furthermore, in Africa the particular material conditions in which the youth are immersed have been anything but friendly and supportive and often act as risk factors in their own right that lead to further instability and violent activity in communities. The bad governance of certain African states has created conditions that are problematic instead of prosperous for the youth. Inept governments, corrupt administrations, poor leadership, state abuse, declining legitimacy and pervading erosion of authority saturate the political process steering many African countries into prolonged poverty and vitriolic warfare. Prolonged militarism, state repression, decisive and summary action and suppression have created a youth culture tolerant of violence. Consequently, in many new democracies the youth have remained a problem segment of the population.

Within their neighbourhoods the youth militias of Nigeria act as guards. They are the fighting arm of communities in the contentions, conflicts and local wars over land, MNOC locations and water resources with neighbouring communities and in the event of the encroachment, damage against community members and resources. The militia members also participate in community development emblematised in the shape of mobilisation of the community for projects and communal activities; be it under threat of force in many instances. Furthermore, the youth militia sensitise the citizenry concerning issues and grievances in the Niger Delta.

They organise protests and demonstrations to express their plight and sufferings of the region. In many cases, the youth militias take direct physical action against the MNOC's. The actions range from, stoppage or disruption of oil production and operations, kidnapping of MNOC staff, damage to the MNOC facilities, and piracy to name but a few. In this realm, the youth militia members operate outside the ambit of their elders and more specifically outside the operational modes of petitions and peaceful and lawful agitation utilised with little success by the elders.

2.3.5.2. Ethnic militias

A concept related to youth militia is ethnic militia. This study is concerned with a part of the world where ethnicity plays an immense part in everyday life. As will be expanded on in the second section of this chapter, ethnic tensions can be a very important trigger of violence, particularly in the Niger Delta. Ethnicity has always been a point of contention in the Gulf of Guinea, and it is the opinion of this research study that any analysis that does not take that into consideration will be incomplete.

Although the Greek term *ethnos* has been around for centuries, the term 'ethnic' was first derived at by the American sociologist David Riesman in 1953 (Erikson, 2002:4). Ethnicity by definition is characterised by a common consciousness of being one in relation to the other relevant ethnic groups (Nnoli, 1989:8). The concept *others* groups of people separating 'us' from 'them' (Sandve, 2008). However, ethnic boundaries change over time especially when there are competitions for scarce resources. Nnoli (1980: 5) contends further that ethnicity is 'a socio-political phenomenon associated with interactions among members of a society, consisting of diverse ethnic groups, characterised by cultural and linguistic similarities, values and common consciousness.' The foregoing definitions suggest that ethnic differences are natural and should not necessarily lead to conflicts of a negative nature. To conceptualise the term further, Erikson (2002:53) divided the term into two distinct fields, namely Primordial which sees ethnicity as something inherent and given, and Instrumentalist which does not.

In Nigeria ethnicity is an especially troubling concept, as its 140 million people are divided into an innumerable amount of languages, cultures, ethnic groups and geographical regions. The Delta alone plays host to some 40 ethnic groups housed in around 6000 communities and settlements, speaking at least 250 dialects. The background to the emergence of ethnic

militias was the manipulation of ethnicity by the governing elite across the various regions especially as a means of bargaining for power in the post democratic era (Babawale, 2001). Most scholars who write on Nigeria discuss ethnicity as a bargaining tool in the struggle for primitive accumulation (Alugbo 2004, Igwara 2001, Osaghae 1995, Ukiwo 2003). This view agrees with the position by Glickman (1995:3), which along with most of the above authors states that ethnicity in Africa is instrumental- that the deployment of the identity can be seen to serve a material or political end. Studies have further shown that ethnic conflicts are bound to increase in the immediate wake of political liberalisation (Smith, 2000:3). Indeed as is the case in Nigeria, democratic openings have intensified ethnic competition.

The realisation that a society as diverse as Nigeria may be difficult to manage administratively partly informed the decision to adopt the Lyttelton Constitution of 1954, which formally inaugurated the practice of federalism in Nigeria (Babawale, 2001). Regrettably, the structure of the federal government is lopsided and unbalanced which resulted in the northern region of the country being a bigger entity than the rest of the country. Consequently, the struggle for power sharing was reduced to a struggle for hegemony among the three main ethnic groups, the Hausa-Fulani, Yoruba, and Igbo from which the Hausa-Fulani emerged as the victor. The other two factions, along with numerous smaller ethnic groups, have cause to complain of marginalisation. In the Delta the Igbos complain about being singled out for punishment and discrimination as a consequence of their secessionist attempt which led to Nigeria civil war. The Yoruba's on the other hand feel cheated by the annulment of the 1993 presidential elections which was won by one of their own, the late chief M.K.O Abiola who was denied his victory by a military government dominated by the Hausa-Fulani (Babawale, 2001).

As a consequence of marginalisation, numerous ethnic groups created ethnic militias to further their ethnic interest. In Ikelegbe's (2006) study of youth militias in the Niger Delta he found that the respondents in the various samples tend to see the youth/ethnic militias as organised standing groups of youths who protect certain ethnic interests and rights and forcefully make demands on the state, oil companies or other ethnic groupings. These ethnic militias have been in a state of war with each other and the state for decades creating a volatile environment for business.

2.4. Selected political risk Frameworks

As Brink (2004:83) notes, what the bulk of literature on political risk and country risk analysis has in common are overlapping areas that are of major concern to foreign investors. The assumption is thus that there are certain major risk variables that most risk frameworks share. Examples of such overarching concerns to foreign investors are as Brink (2004:83) points out political stability, political effectiveness, monetary policy, exchange rate policy, trade policy, fiscal policy, the regulatory environment, the global environment, debt, growth, the financial structure, current account, and the liquidity of a host country. A further two variables that were isolated in Howell and Chadwick's (1994) study of political risk indicators, are negative influences of regional political forces (bad neighbours) and restrictive measures required retaining power (authoritarianism) (Venter, 1995:3). The two variables could most often account for actual losses incurred.

For the purposes of this study, four frameworks for analysing political risk will be utilised. These frameworks represent different approaches and methods to political risk analysis: rank ordering or scoreboard approaches (qualitative and quantitative); judgement by experts (quantitative); the decision tree approach (qualitative); and statistical approaches such as multiple regression analysis and discriminant analysis (quantitative) (Fouche, 2003: 28). The four political risk frameworks that will be analysed are: EIU, BERI, BM, and ICRG. These frameworks were selected on the basis of the qualitative pool of variables that they represent. In addition, the selected risk frameworks can easily be analysed as the common attributes (risk variables) are available. Moreover, they are some of the few examples where risk companies and risk researchers readily supplied constructed frameworks; many companies do not for fear of losing their advantage in the rather competitive field of political risk analysis. Furthermore, the variables in each of the four risk frameworks will be ideal for the purposes of this study as will be expanded on below. The most relevant major risk variables and regional risk variables will be extrapolated from the above four risk frameworks and used in turn to determine the political risk of the Gulf of Guinea.

2.4.1. The Economist Intelligence Unit (EIU)

In 1986, *The Economist* published a risk analysis framework under the title of 'Countries in trouble' made up of political, social, and economic variables (political and social were combined under the name socio-political). The framework provides a scheme for weighing each variables individual impact and relative roles and further offers a method for combining the risk scores and ranking them in such a way as to advise a potential investor of useful

directions to take in their investments (Howell and Chadwick, 1994:74). The EIU assess composite country risk through four types of risks to investors, namely political risk, economic policy risk, economic structure risk, and liquidity risk. As this study is socio-political in nature, it will therefore not consider the economic variables. Political risk constitutes 22 percent of the overall score and is further subdivided into two categories; political stability and political effectiveness. Political stability asks the question whether the political scene is free of internal or external threats to security, whereas political effectiveness addresses the issues pertaining to good governance and the outcome of good governance. Political stability is represented by five variables namely, war, social unrest, orderly political transfer, politically motivated violence, and international disputes. Political effectiveness is based on six indicators. They are: change in government/pro-business orientation, institutional effectiveness, bureaucracy, transparency/fairness, corruption, and crime.

The EIU chose to reduce these indicators to six political and four social variables to represent the origins of what is generally called ‘political risk’ in a process allocating a points based scoring system to be expanded on below (Howell and Chadwick, 1994:76-78).

(a) Political variables

- **Bad Neighbours, (3 points).** ‘Bad neighbours’ refers to the regional situation the country finds itself in. If a country is near a superpower in geographical terms it will almost undoubtedly suffer, due to superpowers wanting to control their periphery often with the use of force. It also includes trouble spots which are explained as regions which have a history of unrest or insecurity or continuous violence such as the Middle East, Somalia and with relevance to this study, the Niger Delta.
- **Authoritarianism, (7 points).** This variable pertains to the lack of democracy. Whether authoritarianism or totalitarianism if a country is not a democracy business will undoubtedly suffer. Even rigid totalitarianism control is only a temporary holding pattern with disruption and violence sure to boil underneath.
- **Staleness, (5 points).** Staleness refers to when a leader is in power for more than ten years. EIU argues that a leader needs about five years to get his or her manner but after ten years he or she becomes detached leading to complacency, entrancement, corruption, nepotism, distain and delay.

- **Illegitimacy, (9 points).** Legitimacy implies an un-coerced and positive acceptance of the state by the citizenry. The gap between acceptability and the government's persistence in power could pose a high political risk.
- **Generals in power, (6 points).** In the face of instability or the absence of a competent civilian government, the military authorities often step in to take control. The argument is that the military does not understand the functioning of government nor do they step aside gracefully when a competent civilian government presents itself.
- **War/armed insurrection, (20 points).** This variable has the most impact of all of the variables selected. War destroys physical facilities, disrupts the economy and brings about losses in a number of other ways. Raw materials and goods and supplies are delayed or diverted to war use. Further the labour force shrinks as able bodied men and women join the war.

(b) Social variables.

- **Urbanisation, (3 points).** When the urbanisation process is too rapid, or is too geographically concentrated on a single city, a number of problems accompany the shift. These include idleness and crime, an expansion of the drug trade, and economic irregularities, such as the pricing of foods. It is not urbanisation itself that threatens investment but rather the conditions that come along with it.
- **Islamic Fundamentalism, (4 points).** The EIU argues that there has never been much political fervour in Hinduism or Buddhism and that Christianity is a spent force. However they add that Muslim radicals have the potential to be a very strong force in the world and where they are strong, the risk to investors is high especially when investors are foreign and not Muslim.
- **Corruption, (6 points).** Corruption exists in all societies in some shape or form; however, in some places it has become rampant and adversely affected the running of everyday business. Corruption can distort an economy in ways that that the best investor awareness or even power cannot accommodate.
- **Ethnic tensions, (4 points).** Ethnic, religious, and racial tensions provide an environment in which industry cannot suffice. It may redirect government attention, invoke restrictions (e.g. hire more from one ethnic group than another), restrict labour

resources, or result in open conflict. Governments can be severely affected by the intricate nature of ethnic tension.

As this study is concerned with the political risk of the Gulf of Guinea on a regional basis, only a few of the EIU variables are applicable. The most important variable is undoubtedly *Bad neighbours*. In a regional context this variable is very significant and in the context of the Gulf of Guinea Nigeria would undoubtedly be the *bad neighbour*. For example, Cameroon which is located to the south east of this regional powerhouse, has experienced numerous acts of violence as a direct consequence of the conflict in the Niger Delta. *War/armed insurrection* is also a variable that can have a dramatic effect on the regional risk of a country as has been illustrated in a number of cases in Africa. A prime example of this is crisis in the Darfur region in Sudan which has led to millions of refugees fleeing to the country's neighbour Chad. *Authoritarianism* and *generals in power* may also be added as variables vital to a regional political risk analysis. These two variables reflect ineptitude in the running of a country and relate directly to the *bad neighbour* variable. If a country is not run properly, tensions could flare up and affect the region.

Islamic fundamentalism and *ethnic tensions* are more consequent risk variables but have a definite ability to heighten the hostilities within a given region. For this reason they will be added to the list of variables extrapolated from this framework.

To summarise the variables that will be utilised are: *Bad neighbours*, *War/armed insurrection*, *Authoritarianism*, *generals in power*, *Islamic fundamentalism*, and *ethnic tensions*.

2.4.2. The Business Environment Risk Intelligence (BERI)

The Business Environment Risk Intelligence framework provides a complete country analysis based on a set of quantitative indicators developed and refined since 1975 (Howell, 1998:36). The framework comprises of the Political Risk Index (PRI) which consists of 10 weighted political and social variables, the Operations Risk Index which includes weighted ratings on 15 economic, financial, and structural variables, and finally the R Factor, also a weighted index covering a countries legal framework, foreign exchange, hard currency reserves, and foreign debt. The average of these three ratings is known as the Profit opportunity Risk Index. Only reliable statistics from the World Bank and the International Monetary Fund are used in these ratings. As this is not a study focussed on the economic aspects of risk analysis only the PRI will be used.

The ten PRI variables are divided into three categories namely; internal causes of political risk, external causes of political risk and symptoms of political risk. Each of the ten variables is assigned as many as seven points by an expert analyst. A rating of seven represents an ideal situation and a total score of 70 represents a perfect country. To further add to the value of the PRI it is required that political risks be analysed over four time periods, the present conditions, +1 year conditions, +5 year conditions, and +10 year conditions (Howell, 1998:41).

Under internal causes there are 6 variables as opposed to 2 each in external causes and symptoms of political risk (Howell and Chadwick, 1994:82-83).

(a) Internal Causes of Political risk

- **Factionalism of the political spectrum and the power of these factions.** This variable represents divisions among political perspectives in the society, with numbers of perspectives seen as representing a threat to consistency and regularity in the political process. When strength is added to numbers, the score to be assigned is reduced.
- **Factionalism by language, ethnic and/or religious groups and the power of these factions.** This is to be considered as a social variable as opposed to the more political/ideological above. Risk would increase by the compounding of the divisions, as well as by the increased power of the distinct groups.
- **Restrictive (coercive) measures required to retain power.** Restrictive measures and the source of such measures is a common concern among political scientists examining the functioning of the state. The existence of authoritarianism or the use of coercive measures reflects the prospect of arbitrary action, abrupt changing of rule, and alienation due to government's handling of the implementation of decisions.
- **Mentality, including xenophobia, nationalism, corruption, nepotism, willingness to compromise.** Corruption and willingness to compromise are somewhat related as are xenophobia and nationalism however this does not mean that these variables are mutually interrelated. Corruption may point to an excess of willingness to compromise and include a level of nepotism.
- **Social conditions including population density and wealth distribution.** Once again an investor is not threatened by urbanisation itself but rather the conditions that

are discovered through it. Wealth and distribution is another dimension that highlights a disparity between levels of society, as distinct from conditions that are pervasive.

- **Organisation and strength of forces for the radical left government.** This variable represents a concern of the 1970s more than the present but can be indicative of any radical force.

(b) External Causes

- **Dependence on and/or importance to a hostile major power.** This variable is concerned with the major power involvement. It is interesting to note that friendly major powers are not accredited to cause trouble.
- **Negative influences of regional political forces.** This variable pertains to influences by a neighbour and can be translated into trouble-spots which are explained as regions which have a history of unrest or insecurity or continuous violence

(c) Symptoms of political risk

- **Societal conflict involving demonstrations, strikes, and street violence.** This variable concerned with civil strife and its influence on the business environment.
- **Instability as perceived by non-constitutional changes, assassinations, and guerrilla wars.** Instability was one of the earliest and most enduring concerns of firms about doing business outside their own domain. The threat of assassins and guerrilla warfare are ominous to any investing company.

Risk analysts at BERI grade a country's political risk climate by variable, assigning a grade for each of the ten variables under internal causes, external causes, and symptoms of political risk. Like the EIU framework evaluations are done over a time span; present conditions, +5 years, +10 years.

Once again, as is the case with the EIU, not all the above variables are relevant to this study. Under internal causes of political risk *factionalism by language, ethnic and/or religious groups and the power of these factions* is the most important as it might be a trigger cause or result in a heightened state of violence. However, also to be included in the list of variables extrapolated from this framework is *factionalism of the political spectrum and the power of these factions* and *restrictive (coercive) measures required to retain power*. It is

acknowledged that these variables will not necessarily have a direct impact on the regional situation, but in a country like Nigeria, where ethnicity and factionalism go hand in hand, it is a vital component in determining the situation in the Niger Delta, and its influence on region i.e. the political risk of the Gulf of Guinea. The latter variable is added for the same reason as the EIUs *generals in power* and *authoritarianism*; it has an adverse affect on the country which could spill over into neighbouring regions.

Under external causes, *the negative influence of regional forces* will be utilised as well as *the dependence on and/or importance to a hostile major power* (but with some changes). Under the latter variable friendly major powers are not seen to cause trouble. This is a point of contention that has been identified with the BERI framework as the case of Nigeria and the neighbouring region will clearly illustrate. Although none of the countries in the Gulf of Guinea are openly hostile to one another, the conflict in the Niger Delta is affecting most of them. So the variable will be added but will include, as well as hostile foreign power, friendly foreign power.

Finally, under symptoms of political risk *instability as perceived by non-constitutional changes, assassinations, and guerrilla wars* will be included not so much for non-constitutional changes but for the assassinations and guerrilla warfare. To summarise, the variables extracted from the BERI framework are: *factionalism by language, ethnic and/or religious groups and the power of these factions, factionalism of the political spectrum and the power of these factions and restrictive (coercive) measures required to retain power, the negative influence of regional forces, the dependence on and/or importance to a hostile major power, instability as perceived by non-constitutional changes, assassinations, and guerrilla wars.*

2.4.3. The Brink Model (BM)

In 2004, Charlotte Brink released the book *Measuring Political Risk: Risks to Foreign Investment*. As noted by Brink (2004:2), the measurement and observation of political risk depends to a great extent on the subjective human judgement which is in some instances a handicap for political risk analysis. The book proposes a balance of user subjectivity with a framework that can reflect researched information, in order to attempt a more objective probable estimation of risk.

The system of analysis proposed in the book is not an inanimate object, apart from the 103 political risk variables and their 411 indicators used to conceptualise each risk factor; it also

absorbs the experience and knowledge of its users. The variables are separated into 37 political, 41 economic and 25 social factors. For the purposes of this study, only the political and social variables will be taken into consideration.

In an effort to quantify traditionally subjective political, economic and social phenomena, quantified data presented as weighted factor indicators of risk can be calculated by relaying information into a model designed to reflect the outcome of an operationalised analysis. The model aims to assist during the decision-making process surrounding foreign investment, where human rationality is limited when operating in conditions of considerable uncertainty (Simon, 1972 in Brink, 2004:2).

As this model contains 103 variables with some 411 indicators it would be impractical to list all of them and extract the relevant ones as is done with the other political risk frameworks in this study.¹ Instead only the variables useful to this study will be listed and they are as follows:

(a) Political variables

- **Racial, ethnic, religious, nationality, language issues.** This variable concerns liberation movements, legitimacy for the government and occurrences of racially or ethnically motivated violence.
- **Border disputes/external conflict and international relations.** This variable is similar to the *bad neighbours* of the EIU or BERI's *negative influences* from a foreign power.
- **Political terrorism.** This variable pertains to politically motivated terrorism. However the distinction between political terrorism and guerrilla activity is unclear. Brink conceptualises this variable as the use or threat or violence or violent means in order to coerce a government, authorities or entire populations by inducing fear.
- **Civil war.** When a country is at war with itself business can be severely affected. Depending on the extent of the conflict business can be affected at every level. The BM allows this variable to be rated much higher if the conflict is ethnically motivated
- **Political (in)stability.** This variable has to do with the state of flux or political disequilibrium, and unforeseen shifts in government policy.

¹ The complete Brink model including the list of variables and indicators will be presented in Appendix A.

- **(Lack of) political will.** The variable which pertains to the extent at which political policies are designed and enforced in the best interest of the public and the political will to change them if necessary.
- **Geographical position and geopolitics.** This variable pertains to the geopolitical region the host country finds itself in. Where the country is situated will determine its regional vulnerability, further if it is involved in a systemic conflict what is its status (direct party to the conflict or mediator).
- **Political violence.** This variable concerns revolutionary uprisings, rebellion, insurrection, hostile acts, and instances of malicious damages to property etc.

(b) Social variables

- **Societal uprisings.** Violent demonstrations aimed at MNOCs, instances of collective subversion, looting, vandalism, malicious damage are all indicators of this variable.

With the exception of *(lack of) political will*, these variables are similar to those utilised by the other frameworks. The unique variable *(lack of) political will* was introduced to add another dimension to the analysis of regional political risk. If a country is affected by a regional power, then unless the neighbouring country has the political will to change the situation for the host country the political risk will undoubtedly remain unchanged.

2.4.4. The International Country Risk Guide (ICRG)

The International Country Risk Guide for forecasting financial, economic and political risk was created in 1980 by the editors of *International Reports*, the widely respected weekly newsletter on international finance and economics (Howell, 1998:185). The ICRG provides a rating composed of 22 variables in three subcategories of risk namely political, economic and financial. A separate index is created for each subcategory. The political risk index is based on 100 points the financial and economic each has fifty points. The total points of the three indexes are divided by two to produce the weights for inclusion in the composite country risk score. This study will not focus on the economic or financial or economic aspects of the ICRG, as it is political in nature. The political variables are composed of 12 weighted variables that are both political and economic are as follows (Howell, 1998:187).

- **Government stability (12 points).** This is a measure of the government's ability to carry out its declared programs and its ability to stay in office. This will depend on the type of governance, the cohesion, of the government and governing party or

parties, the closeness of the next election, the government's command of the legislature, and popular approval of government policies.

- **Socio-economic conditions (12 points).** This is an attempt to measure general public satisfaction, or dissatisfaction with the government's economic policies. The greater the popular dissatisfaction the greater chances are that the government will be forced to change track, possibly to the detriment of business.
- **Investment profile (12 points).** The government's attitude toward inward investment is determined by an assessment of four subcomponents: the risk to operations (scored from zero (very high risk) to four (very low risk)), taxation (scored from zero to three), repatriation (scored from zero to three), and labour costs (score from zero to two).
- **Internal conflict (12 points).** This variable assesses the political violence in the country and its actual or potential impact on governance.
- **External conflict (12 points).** The external conflict measure is an assessment both of the risk to an incumbent government, and to inward investment. It ranges from trade embargoes and restrictions, whether imposed by a single country, a group of countries, or the international community as a whole, through geopolitical disputes, armed threats exchanges of border fire border incursions, foreign supported insurgency and full scale warfare.
- **Corruption (6 points).** This is a measure of corruption in the political sphere. The measure is concerned with nepotism, job reservations, excessive patronage, etc.
- **Military in politics (6 points).** In the face of instability or the absence of a competent civilian government, the military authorities often step in take control themselves. The argument is that the military does not understand the functioning of government nor do they step aside gracefully when a competent civilian government presents itself.
- **Religion in politics (6 points).** Religious tensions may stem from the domination of society and/or governance by a single religious group that seeks to replace civil law by religious law and exclude other religions from the political and/or social process.
- **Law and order (6 points).** Law and order are assessed separately, with each sub-component comprising three points. The law component is assessed of the strength for impartial law, while the Order component is an assessment of popular observance of law.

- **Ethnic tensions (6 points).** This variable measures the degree of tension within a country attributable to racial, nationality or language divisions.
- **Democratic accountability (6 points).** This is a measure of how responsive government is to its people; on the basis that the less responsive it is the more likely it is that the government will fall, peacefully in a democracy setting, or violently in a non-democratic one.
- **Bureaucratic quality (4 points).** The institutional strength and quality of the Bureaucracy tends to minimise revisions of policy when governments change. Therefore high points are given to countries where the bureaucracy has the expertise to govern without drastic changes in policy and interruption in government services.

Although they are listed under *Political*, there are a few of the above variable that can be listed under economic or even a subcategory *social* if one existed in the ICRG. For the purposes of this study *Bureaucratic quality*, *democratic accountability*, *corruption*, *investment profile*, and *socio-economic conditions* have little relevance. These variables, although pertinent in a *country* based analysis, are not as useful in analysing regional political risk. The bureaucratic quality of a country, investment profile, socio-economic conditions as well as democratic accountability has to do with the internal running of a country and could not be considered for a regional analysis on these criteria. Although one could argue that they may be trigger causes to regional conflict, there are in my opinion more important trigger causes as examined above.

Internal and external conflicts, *religion in politics*, *ethnic tensions*, and *law and order* are pertinent. These variables are similar in meaning to those used by the other frameworks and they will be presented in order of their combined and commutative explanatory utility of the variance in the independent variable in the next section of this research paper.

2.5. The major risk and regional risk variables

As mentioned previously, what most political risk analysis companies or frameworks have in common are overlapping risk variables. This is a good departure point from which to extract the major risk variables and regional risk variables that will be used to determine the regional political risk of the Gulf of Guinea. It has to be noted that in the context of regional political risk analysis not all variables are valid, particularly in the case of the Gulf of Guinea where security (or lack thereof) is the main concern for many investing companies. Although *monetary and fiscal policies* or *socio-economic conditions* can be added to the analysis it

would prove obsolete as this variable on its own will have very little impact on the security of a region. Having said this, and as Brink (2004:83) has pointed out, consequent risk variables might seem less significant, but are by no means less important, as they are closely related and causally linked to the major variables. What Brink says is extremely important, although these variables on their own do not count for much in regional risk analysis; they may for example be a trigger cause. Risks do not exist in isolation, and the casual relationship between the major and micro variables clearly illustrates this.

The variables pivotal to the study of regional risk analysis in the EIU are *bad neighbours*, *war/armed insurrection*, *authoritarianism*, and *generals in power*. Bad neighbours is a very important variable, as it encompasses a wide range of problems that a host country could experience if a neighbour is hostile or have hostile actions within its borders. *War/armed insurrection* is clearly an adverse variable. In the context of modern warfare, armed conflict seldom stays within a territorial boundary. *Authoritarianism* and *generals in power* are two variables that can potentially go hand in hand as they both bring about ineptitude in the running of the country and they both generate unrest.

The BERI framework adds a new dimension to the important variable list by adding *factionalism by language, ethnic and/or religious groups and the power of these factions*. This variable, if present in a country, can heighten unrest. *Factionalism of the political spectrum and the power of these factions* would usually not have been added to a regional analysis but because of the close proximity of ethnicity and factionalism in Africa it would seem fit to include this variable. *Restrictive (coercive) measures required to retain power* is also included as it is added for the same reason as the EIUs *generals in power* and *authoritarianism*; it has an adverse affect on the country which could spill over into neighbouring regions. *The negative influence of regional forces* will be utilised as it is similar to the *bad neighbours* of the EIU. Some changes have been made to the next variable to be included. The *dependence on and/or importance to a hostile major power* will be added but it is interesting that friendly major powers are not accredited to cause trouble. The variable will be added but will include, as well as hostile foreign power, friendly foreign power. Finally under symptoms of political risk *instability as perceived by non-constitutional changes, assassinations, and guerrilla wars* will be included not so much for non-constitutional changes but for the assassinations and guerrilla warfare.

The BM has most of the variable the previous two have namely *racial, ethnic, religious, nationality, language issues, Border disputes/external conflict and international relations, political terrorism* which is conceptualised as the use or threat or violence or violent means in order to coerce a government, authorities or entire populations by inducing fear, *civil war political (in)stability, geographical position and geopolitics, political violence and societal uprisings* which are very important as they relate to violent demonstrations aimed at MNOC's. There is a unique variable in *(lack of) political will* which introduces another dimension to the analysis of regional political risk. If a county is affected by a regional power then unless the neighbouring country has the political will to change the situation for the host country the political risk will undoubtedly not change.

The ICRG framework have a few variables that are not applicable to this study, however *internal and external conflicts, religion in politics, ethnic tensions, and law and order* are pertinent. As the ICRG conceptualises the variable *law and order*, it can be a trigger cause to internal conflict. The law component is assessed of the strength for impartial law, while the order component is an assessment of popular observance of law.

2.6. The synthesised major political and regional risk variables

The above section identified the variables from each of the four political risk frameworks that will be used to determine the political risk of the Gulf of Guinea. This next section will attempt to synthesise the variables from the different frameworks, which will in turn be conceptualised and utilised in the regional risk index. The synthesised variables are as follows:

- Political stability/ (lack of) political will/law and order.** Political stability is a major risk variable that can also be used in a regional analysis. The variable is the measured by monitoring the incidents of internal and external conflict; social unrest; orderly political transfers, politically motivated violence government stability, policy stability, socio-economic conditions; military in politics, religion in politics law and order, ethnic tensions; and international disputes. It is a measure of both a government's ability to carry out policies, and its ability to retain office. Regime legitimacy also contributes to political stability. A political system under fundamental stress from dissatisfied groups, and the rule of law being questioned, might pose strains on the legitimacy of the country. The *(lack of) political will* is only evident in the BM and as such was chosen for its utility for regional risk analysis. It refers to

poor plan performance and the growing gap between plan formulation and implantation which can be attributed to the lack of commitment and political will on the part of many developing country leaders and decision makers.

- **Bad neighbours/dependence on a foreign power/external conflict.** The EIU, BM, BERI, and ICRG each identify this as a critical variable. It indicates that the country in question is under the influence of either a superpower or a regional hegemony (Venter, 1999:6). Although not indicated by the BERI framework, this variable also includes trouble spots which are explained as regions which have a history of unrest or insecurity or continuous violence. The measure of external conflict is an assessment of both risks to the government and to investment (Brink, 2004:85). It can range from qualitative type conflicts like trade embargoes, and geopolitical disputes; to armed threats exchanges of fire on and across borders, foreign supported insurgency and full scale war. External conflicts can adversely affect foreign business in many different ways ranging from restrictions to operations, trade investment, to distortion to the allocation of economic resources; and violent changes in the structure of society.
- **War, armed insurrection.** This variable is both a major risk variable and one that can be used in regional political risk analysis. War and armed insurrection have the most telling impact on an investment. It includes destruction of physical facilities and the disruption of the economy to produces war material and to support armed combatants. Internal conflict is an indication of political violence in a country as well as its potential or actual impact on governance. A country would be considered to be low risk if there is no evidence of armed opposition to the government, and a government does not indulge in arbitrary violence, directly or indirectly, against its own people. Judging by this definition, it is assumed that a high risk rating will be given if a country is embroiled in an ongoing civil war. However, certain criteria have to be taken into consideration like, whether the conflict is confined to a certain area or attacks occur nationwide, whether the movement has widespread support, or only a few individuals, and whether the acts of violence are sporadic or sustained.
- **Ethnic/religious and/or politics/radical tensions social conflict, deep ideological cleavages.** The EIU, BERI, BM, and ICRG all recognise the importance of this variable and as such it is a major risk variable. These tensions and divisions in society are well known predictors of political turmoil and hence an increase in political risk.

Such tensions redirect government attention to their solution, restrict resources available for economic development, or may result in open conflict and destruction of property. A government may even fall on account of social tension. This variable caters for divisions in society that are not however necessarily ethnically based, but may have class and/or ideological origins. It represents a threat to consistency in economic and social policy. It implies inter alia that a conservative government may favour investment and business, while leftist governments may favour social welfare and state interventionist policies.

- **Authoritarianism/undemocratic measures to retain power/ generals in power.** This variable was chosen more on the basis of its regional impact, than its classification as a major risk variable. This variable seems to be counter-intuitive; generals in power or authoritarian governments at first glance would indicate political stability. Although authoritarian rule may induce short-term stability, it is quite likely to mask a greater popular discontent that could result in political violence against the ruler and a mass based revolt- in fact increasing the political risk for investors rather than decreasing it. The role of the military in politics has always been a contentious one, and can include rising and dropping government expenditure on military defence, to military coups and revolutions (Brink, 2004:93). Generally military rule is accepted to have a negative correlation with economic development and often results in political regression. If an authoritarian regime is evident in a region, the political stability of that region is brought into question and as such the variable becomes important in the context of this study.
- **Religious fundamentalism/radical religious forces/religion in politics.** Most frameworks include this variable in their analysis. The resurgence of the state and/or political inspired Islam fundamentalism and terror makes this a powerful indicator of political risk. From the Iranian revolution in 1978 onwards; Islamic fundamentalism seems at odds with capitalism and foreign investment. This variable may stem from the dominations of society and/or government by a single religious group that seeks to replace civil law with religious law and exclude other religions from the political and/or social classes. The risk from such situations range from inexperienced people imposing inappropriate policies, to civil dissent and civil war.

Having extracted the major and regional political risk variables, they will now be operationalised and placed within a regional risk index to determine the political risk of the

Gulf of Guinea. To note again, no *economic* political risk variables have been included as it is not the purpose of this research to determine the economic security of any endeavour but instead to assess the validity of a venture in the Gulf of Guinea based on *political* and *social* variables.

2.7. Operationalisation of synthesised major political risk variables for regional political risk analysis

This study is analysing the conflict in the Niger Delta in order to assess the impact of this conflict on the regional political risk of the Gulf of Guinea. Besides the historical narrative that will be focused on in the next chapter, it is in essence primarily a political risk analysis. As such, for operational purposes, the above variables will have to be placed or ordered in a risk index in order to achieve this goal. In chapter four each of the above six variables will be rated as having either a low, medium, high or extreme risk to potential investors, based on purely qualitative analysis. The variables and what is to be considered to be a low, medium, high, or extreme risk, will be conceptualised and operationalised in the corresponding table.

- If any of the variables receive an extreme rating, the overall risk rating will be extreme
- If two or more of the variables are rated as high, the overall risk rating will be high
- If none of the above is evident, the overall risk rating will be compiled by a majority rating

Regional Risk variables

Risk ratings		Political stability/ (lack of) political will/law and order.	Bad neighbours/ dependence on a foreign power/external conflict	War, armed insurrections	Ethnic/religious and/or politics/radical tensions social conflict, deep ideological cleavages.	Authoritarianism/ undemocratic measures to retain power generals in power.	Religious fundamentalism /radical religious forces/religion in politics
	Extreme risk	There is great political instability and widespread instances of political violence. Furthermore the future of many governments is uncertain. Governments are indifferent to their populations and political will is non-existent.	Region is in turmoil as countries within the region are severely affected by the hegemony. Violence is continuous with no signs of respite.	The region is in a state of war. One or more countries are involved and sustained attacks have been widespread.	One or many groups of ethnically or ideologically motivated organisations have become involved in a liberation struggle or are motivated to change the current government. Violence is widespread and ethnically or ideologically based.	An authoritarian and/or military regime is in place. There is great discontent and democratic ideals are suppressed.	Religious forces are in power within a country and are shunning business.
	High risk	Politically the region is very unstable. Civil unrest, politically motivated violence, and lawlessness are evident. Governments performing poorly as almost no political will is evident.	Countries within the region are under the negative influence of a regional hegemony. As well as having a history of unrest the region is currently experiencing violence.	A country in the region is embroiled in a continuing insurgency with attacks being widespread.	Governments and politics are ethnically based. Ideological and ethnic tensions are evident and unrest is being felt widely.	There is a big threat that the military might take power and/or an authoritarian regime will be implemented.	Religious fundamentalism is felt throughout the country or region. Western business is severely affected.
	Medium risk	Previous political instability, but no recent regime change with minor civil unrest. Government's performance acceptable.	Countries within a region have in the past been affected by a regional hegemony or are currently experiencing some mild spill-over effects. The region has a history of unrest but is currently stable.	In the past war and armed insurrection has been evident although no serious threat exists of violence flaring up again.	Ethnic and/or ideological tensions have been felt in the past but currently their are sporadic instances of tensions but not to the detriment of business.	In the past authoritarianism and/or military rule was evident but currently the country is democratic and there is little evidence of reverting back to military or authoritarian rule.	Religious fundamentalism plays a small role in a country Business is not direly affected.
	Low risk	The region is politically stable with the rule of law being upheld as well as regime legitimacy. Governments within the region are performing well as political will is evident.	Countries within the region are not influenced negatively by a regional hegemony. The region has no history of unrest or insecurity or continuous violence.	The region is stable as governments do not indulge in arbitrary violence directly or indirectly against its own people.	No ethnic or ideological tensions exist within a country. Governments cater for the needs of all equally.	The country within the region is not authoritarian and there are currently no generals in power. Democracy is entrenched.	There is no religious fundamentalism within a country or region. Business is not at all affected.

Table I: Regional Risk index.

As noted in chapter one, this study will look at how the major risk variables as well as those chosen for their regional importance will impact the conflict in the Niger Delta and how this conflict affects the region. The above variables will be applied to the conflict in the Niger Delta so as to examine its affect on the political risk of the Gulf of Guinea. As one would notice many of these variables are somewhat interrelated. For example *political stability/ (lack of) political will/ law and order* is determined by assessing the rest of the variables. As such it is difficult to promote some variables above others in terms of importance for regional stability. For this reason all the above variables will be weighted equally.

2.8. Conclusion

The chapter's aims were twofold. Firstly the concepts that are central to the study were conceptualised. These concepts are risk, political risk and country risk, regional security, and militias. They were chosen on the basis of their utility throughout the study. The second section of this chapter looked at four risk frameworks namely the EIU, BERI, BM, and ICRG. From these four risk frameworks the major risk variables and variables useful for regional political risk analysis were extracted and synthesized into six universal variables. The variables were chosen on their utility for regional risk analysis and their status as major risk variables. For operational purposes the universal variables were placed in a regional risk index which both conceptualises the risk variables and also operationalises the risk rating of low risk, medium risk, high risk or extreme risk.

In the next chapter the conflict in the Niger Delta, on which the premise of this study is built, will be analysed. The history of the conflict will be examined as well as the contending views concerning the trigger causes of the conflict. Chapter three aims to create a foundation on which chapter four will be built i.e. a background on which the impact of the conflict in the Niger Delta on the political risk analysis of the Gulf of Guinea can be assessed.

Chapter Three: Historical Narrative

3.1. Introduction

This chapter aims to investigate the current conflict in the Niger Delta. Firstly, a brief history of the conflict will be provided, followed by an examination of the recent new trends before a conclusion is reached.

Nigeria's political and economic fortunes, and the country's ability to play a stabilising role in the African region, partly depend on the resolution of the protracted Niger Delta conflict. The Niger Delta covers nine out of 36 states and 185 out of 774 local government areas of the Nigerian Federation (Ukiwo, 2009). A 2006 population census showed that 30 million out of the country's 140 million people reside in the region. The region houses most of the country's oil and gas reserves but paradoxically is still be least developed area in Nigeria.

Oil and gas play an important part of the Nigerian economy, and a vital role in global energy security. Production of crude oil in the country began in December 1957. Currently Nigeria is the seventh largest producer of oil in the world (Stuijt, 2009). However to add to this the country has recently also become an important supplier of liquefied natural gas (LNG) of which some 4,007 trillion cubic meters are exported annually (Oyefusi, 2007:3). For the purposes of extraction six major oil companies presently dominate the Nigerian oil industry. These are Shell, Mobil, Chevron, Elf, Agip, and Texaco. In an effort to enhance its own industry while also increasing indigenous participation in the upstream sector, the Nigerian government granted 38 licenses to local companies between 1990 and 1994. These companies regrettably have been unable to register their presence in the Nigerian oil sector in any significant measure. Through their agent the Nigerian National Petroleum Corporation (NNPC) which was established in 1971, the Nigerian government receive 57 percent of total crude oil, most of which is subsequently exported (Oyesfusi, 2007:4). Oil and gas are the lifeblood of the nation's revenues, economy and national survival. These natural resources account for 40 percent of the nation's GDP, and 70 percent of government revenues. Moreover in 2003 the oil and gas accounted for 80.6 percent of the total federal government receipts (Lawal in Ikelegbe, 2005:208).

The Niger Delta region in Nigeria contains most of the country's hydrocarbon deposits. By implication, the Delta holds the bulk of the economic resources that sustains the public treasury (Ibeanu, 2000:23). However this oil belt is embroiled in a resistance against the Nigerian state and the MNOC's. Decades of oil exploitation, environmental degradation and

state neglect has created an impoverished, marginalised, and disgruntled citizenry which has produced a very effective youth resistance.

3.2. The phases of the Niger Delta conflict

According to Augustine Ikelegbe (2006), the Niger Delta experienced five distinct phases of struggle for environmental, social, and political equity and justice. For the historical purposes of this section, these five phases will be discussed in detail.

The first phase, prior to independence, began as an agitation for special developmental attention because of the immense challenges posed by the unique ecology. Depending on definition, the Niger Delta region is the world's largest wetland (Ibeanu, 2000:20). The wetland region comprises 36 000 square kilometres of marshland, creeks, tributaries, swamps, mangroves, and lowland rain forest which drains the Niger River into the Atlantic at the Bight of Biafra. In response to their challenging surroundings the locals wanted special protection and developmental guarantees. This in part led to the Willinkis Commission of 1958. Its recommendation led to the creation of the Niger Delta Developmental Board (NDDDB) being established in 1962. During this time local political leaders such as Harold Dappa Biriye of the Rivers Movement gave the grievances momentum (Ikelege, 2006:105). With the discovery and production of oil in 1957 the locals included the demand for their share of the oil wealth along with development of their region.

The second phase was a brief militant one in 1966, stemming from the weakening of the NDDDB and the continued underdevelopment and neglect of the region. Isaac Adaka Boro, then a former cadet sub-inspector, led a group of youths in the Delta Volunteer force (VLF) in a secessionist movement and declared a separate state of the 'Niger Delta People Republic' from Nigeria on the 23 of February 1966. The actions of the youths included arming militants and seizing and disruption of oil production. The VLF was suppressed and its leaders convicted for treason.

The third phase from the 1970's saw disparate, un-coordinated and localised conflicts by host communities against the MNOCs. The communities after experiencing decades of state neglect and poverty amidst the oil boom in the 1970s began to direct their grievances against the culprits in their view, the MNOC's. They demanded basic infrastructure such as roads, electricity, pipe borne water, and health and education facilities. Further they demanded compensation for the damage done by the oil spillage to their crops and croplands, while also protesting at the lack of oil spill cleanup operations. During this time most action taken by the

locals was non-violent and peaceful, involving community based protests, blocking of access roads to oil facilities and occupation of the oil facilities.

The fourth phase between 1990 and 1996 was firstly brought on by the MNOC's, and the Nigerian state's lack of action concerning the local community's grievances. To add further insult to injury, the state who backed the MNOC's had become more repressive against the local agitation through attacks and murders. The increased awareness of the environmental degradation and the state perpetuated injustices in the region led to the Niger Delta people organising the struggle through civil, community, ethnic and regional groupings. The annulment of the 1993 presidential elections (and the ensuing crisis), also added to the tensions within the region and consequently led to the formation of more groups. The first major group was the Movement for the Survival of the Ogoni People (MOSOP) which led the Ogoni people in massive environmental protests against Shell's environmental degradation. The Ogoni Bill of Rights in August 1990 contained demands which included compensation, environmental remediation and ethnic autonomy (Ikelegbe, 2006:106).

Other groups emerged which addressed the political dimensions of the struggle for increased attention, resource allocation and the redress of inequalities in political representation. The heightened awareness that was being sparked throughout the region led to a constitutional conference of 1994-1995 in which the groups won the concession of an increased allocation of 13 percent of oil revenues based on the derivation principle. However this success was marred by an increased repression from the state particularly against the Ogoni. The Ogoni region was militarised and kept under tight reigns. In 1995, after a botched trial, nine leaders of the MOSOP struggle, including its leader Ken Saro Wiwa were hanged. Instead of suppressing the conflict which was the ultimate aim of the government, they only achieved in escalating and radicalising it. It is common understanding that the annulment of the 1993 elections led to the formation of ethnic militias in Nigeria (Agbu 2004, Sesay et al 2003), however, the ethnic militias formed in the Niger Delta arose for different aims and reasons and as such it can be argued the 1993 annulment was merely a trigger cause (Adebanwi 2004, Ukiwo 2007).

The fifth and final phase has been characterised by a massive mobilisation of the communities and the people by communal, ethnic, pan ethnic and regional groups, the activism and concern of civil, human and environmental rights groups and the political class, youth militancy and ethnic militias, massive disruptions of oil production and violent

confrontations (Ikelegbe, 2001). This phase of the conflict is also characterised by numerous shifts of attitude and behaviour of the Delta communities. Firstly the activism has been taken over by the youths and secondly the shift of focus from accommodative agitations to those of self determination, self governance and greater political autonomy.

Finally the shift from the MNOC's to the state as a target of agitation has been realised. The demands have become largely environmental and political, including self-determination, true federalism, and resource control, state-restructuring through a national sovereign conference, the abrogation of obnoxious laws, environmental remediation and reparation for ecological devastation (Ikelegbe, 2006:106). For the purposes of this study, the final stage of the Niger Delta conflict will be further explored, especially the new and emerging trends. The increase in mobilisation in the Niger Delta has led directly to increased insecurity within the region and could potentially lead to a heightened sense of political risk of the Gulf of Guinea.

3.3. Youth militancy in the Niger Delta

In terms of development, the Niger Delta remains the poorest region in Nigeria. The region has seen little of its oil wealth which was used to build up the rest of the country. The road to militancy was inevitable. It is ascribed to state repression, compounded by the fact that oil exploitation has brought environmental pollution, ecological disasters and socio-economic deprivation (Ikelegbe, 2006: 107). It has wasted scarce land and fishing waters, and dislocated primary occupations, culture and communal governance, creating no direct benefit or participation in the oil activities. The annulment of the 1993 presidential elections won by the late chief M.K.O Abiola who did not belong to the dominant Hausa-Fulani brought into light lopsidedness of the Nigerian Federation. This raised the issue of true federalism which embodied a national conference of ethnic nationalities as part of the democratic, liberal and state reform struggle as well as that oppressed and marginalised nationalities.

As the Niger Delta crisis became part of the democratic struggle and concern of civil democratic groups and activists, the youth became emboldened and made their actions more consequential. The state response to these actions was severe, and as the youths lost more and more confidence in their traditional power structures, they decided to break away from their elders' advice and guidance. State repression, instead of instilling fear and weakening the resolve of communities, only achieved in radicalising the youth. Militancy was the only option available to them, as traditional dialogue between the various concerned parties

became too ineffective for their liking. The youth militias have severely contributed to the Niger Delta conflict and politics. They have articulated ethnic interests while also campaigning for a greater share of the oil wealth. However, more importantly in the context of this study, they have contributed immensely to the heightening of conflicts, violence, insecurity and instability in the region, as community based militias even sometimes fight their traditional rules, elders and traditional governance structures over spoils from the MNOCs of divergences of opinions (Ikelegbe, 2005:106).

3.3.1. The Ijaw youth struggle

In the Niger Delta youth militancy was inaugurated by the Ijaw ethnic group. The Ijaw are arguably Nigeria's fourth largest ethnic group and occupy the coastal fringes of vast sections of Southern Nigeria (Ukiwo, 2007: 591). They are indigenous to six states in the country and constitute political minorities in all but one of these states. One reason ascribed to the fact that the Ijaw were the first to aggressively pursue their interests is because, although they are a national minority, in the Delta region they are the largest ethnic group and as such have the largest base of unemployed and uneducated youths. The first signs of generalised youth restiveness and emerging militancy were the emergence of youth groups who challenged the traditional leaderships to assert their place and roles in the communities and in the struggle.

These youth groups proliferated across clans and kingdoms of the Ijaw ethnic group. The second main development was the formation of numerous civil youth groups which spanned communities and sometimes ethnic groups, and the direction of their objectives and activity toward the oil economy. Prominent among these civil youth groups were the Chicio Movement and the Movement for the survival of the Izon Ethnic nationality (Ikelegbe, 2006:109). The youth militancy signalled huge changes in the Niger Delta struggle. The youths took direct action against the MNOC's and the state; they transformed the object of agitation from the socio-economic demands of development to political dimensions of resolving conflict. The youth militancy also placed the human and environmental rights dimensions of the conflict in the public eye. The youths disrupted oil flows and state revenues, to draw national and international attention to themselves and their respective causes. Soon a wider range of actions were undertaken, which included confrontations with security agents, kidnapping of MNOC staff and hijacking of MNOCs helicopters and boats. The militant youth activism and the accompanying intense repression and militarization of

the region that ensued led to what Ikelegbe (2006:110) refers to 'militia-ization' of the struggle.

3.4. A profile of the Niger Delta militias

There are several militant youth groups operating in the Niger Delta region. Within the Ijaw ethnic group, there are the Federated Niger Delta Ijaw Communities (FNDIC), Movement for the survival of the Ijaw Ethnic Nationality (MOSIEND), the Ijaw Youth Council (IYC), Niger Delta Resistance Movement (NDRM) and the Niger Delta Oil Producing Communities Development Organisation, to name but a few. The IYC was conceived as an umbrella organisation of Ijaw youth associations at the grassroots. The group shot to prominence in 1998 with the historic Kaiama Declaration of December of that year outlining the position of the Ijaw youths on the present frameworks for oil exploitation and marginalisation of the Ijaw in the Nigerian federation (Ukiwo, 2007:601). While most of the groups remained largely anonymous to the general public, two became particularly prominent. These are the Egbesu boys of Africa and the FNDIC.

3.4.1. The Egbesu Boys

The Egbesu is the fighting arm of most militant Ijaw groups coordinated by the IYC (Ikelegbe, 2006:112). Having said this, the Egbesu are not a closely knit organisation as its members or initiates are in fact members of various militant groups. The Egbesu Boys gained public attention during the military onslaught that followed the Kaiama Declaration, in which there grew a perception that its members, who were protected by the Ijaw deity Egbesu, were invulnerable to bullets (Ukiwo, 2007:602). The fact that one of its leaders, who had resigned from the Nigerian army after a peacekeeping operation in Sierra Leone and freely granted interviews also led to the groups' prominence in the Niger Delta. He and other ex-soldiers had allegedly procured a vast amount of weapons for the Egbesu Boys.

The Egbesu Boys' role in the struggle is not through itself as an organised and cohesive militia, but through its initiates in the various affiliate groups of the IYC. As such, it is difficult to assign any specific action or encounters to the Egbesu as a militia group because most militant actions of the Ijaw in relation to the state, oil companies and other ethnic groups have been undertaken by the Egbesu in different militant organisations. The Egbesu have been the vanguard of armed conflicts involving the Ijaw youths. In 1998 they stormed the Bayelsa Government house to free MOSIEND president Timi Ogoruba, in the later months of 1998 and early 1999 they clashed with government forces in Mbiama, Yenagoa,

Kaiaama and other towns in Bayelsa state which precipitated the declaration of the state of emergency in January 1999 (Ikelegbe, 2006:112). Furthermore, they fought in numerous ethnically motivated clashes with the Itsekiri in the Delta State and the Ijaje in the Ondo State. There have been two organised groups of the Egbesu militias. The first is the Niger Delta Volunteer Force (NDVF) and the second the Supreme Egbesu Assembly (SEA). The former group will be looked at for the purposes of this study.

3.4.2. The Evolution of MEND

The most prominent group in the Niger Delta conflict was the FNDIC, who were originally known as the Niger Delta Volunteer force (NDVF) but decided to change their name in 2001 when Mujahid Asari Dokubo, president of the IYC established the Niger Delta Peoples Volunteer Force (NDPVF) after his controversial tenure (Ukiwo, 2007:603). The FNDIC rose to prominence in 1997 when it mobilised youths to attack and occupy 13 Itsekiri villages which they believed the Itsekiri had no right to. In 2003, the group went further and were alleged to have killed dozens of civilians in three Itsekiri villages. They claimed the villages were a base from which the Itsekiri attacked FNDIC activists. What distinguished the FNDIC from other groups was that it combined violent activity with media mobilisation strategies.

Initially, the FNDIC embarked on a newspaper and internet campaign to draw attention to what they perceived as an attack on the Ijaw sovereignty. The FNDIC claimed that the communal conflicts between the Ijaw and the Itsekiri are consequences of the divide and rule strategies employed by the Nigerian state and the MNOC's. Additionally, they claimed that government forces stationed in Warri to keep the peace were biased in favour of the Itsekiri. On this basis they justified the war declared by the Ijaw youth on the Nigerian security forces, Shell and Chevron-Texaco. In this task the FNDIC had seemed to have learnt from the experiences of the other groups in the region. For example, the four principle leaders always sign paid newspaper adverts and internet publications, these are Hon Chief (Dr) Bello Oboko, Hon George Timinimi, Kingsley Oturo ESQ, Comrade Dan Ekpebide (Ukiwo, 2007:604). The multiple signatories were intended to show that the FNDIC were an organised group, and not another bunch of disgruntled youths, a charge that has often been made against other groups. As well as courting external audiences, the FNDIC also seek to mobilise the sentiments of the Ijaw. The efficiency of these strategies soon manifested itself in the rising profile of the leaders of the FNDIC among their people and in government and oil company circles. The FNDIC helped the government maintain a level of peace in the Delta through

mediation while the organisations leaders they were also being patronised. In 2000/1 Chevron-Texaco funded Oboko to undertake a one year MSc course in Environmental Science at an American university. Shell also reportedly offered the FNDIC lucrative security contracts. It comes as no surprise that when MEND took expatriate oil workers hostage in February 2006, both the federal government and the FNDIC officials negotiated their release.

Along with the rise of the FNDIC as an organisation, its president Oboko also became a prominent figure in the Niger Delta conflict. His involvement in numerous government sanctioned meetings led to his removal as head of the FNDIC in 2006. The charges were that he had become entangled with the government and no longer had the best interest of the Ijaw at heart. Following the killing of 15 suspected militants by the Nigerian security forces in August 2006, Oboko was able to re-launch himself as the champion of the Ijaw. Consequently the FNDIC officially acclaimed representative of the Ijaw of Warri. For instance on the 25 of November 2006 FNDIC represented the Ijaw of Warri in a peace agreement aimed at guaranteeing the re-entry of Shell and the Nigerian Gas Company, a subsidiary of the NNPC, to some Ijaw communities in Warri (Ukiwo, 2007:605).

This trend where the Nigerian government has been able to tame and sometimes co-opt popular organisations, led to the formation of MEND and has influenced its strategies. In 2005 MEND announced its existence shortly after the arrest of Asari Dokubo on treason charges. Furthermore the humiliation and impeachment and detention of Governor Deopreye Alamieyeseigha of Bayelsa State and the arrest and detention of Chief Ebitimi Banigo, an Ijaw Businessman who provided employment for hundreds of Ijaw youths, was seen as an attempt to humiliate the Ijaw nation. Against this backdrop MEND emerged as the new face of the conflict in the Niger Delta. It is thought that MEND arose due to some of the militia groups, like the FNDIC being corrupted by the government and losing track of their ideals.

MEND operates in collaboration with other militant groups throughout the Niger Delta. Through such an alliance, the organisation has been able to extend its influence to other parts of the Niger Delta. Although it emerged from the backwaters of Warri, the organisation has been able to effectively network with several militant organisations and has taken up agitations of the Niger Delta people for resource control and wider struggles in Nigeria for democracy and good governance. Like FNDIC, MEND has perfected the use of the internet to fight its causes. Most of its threats and demands are contained in emails sent to the

newspapers and posted on the web. The group has been effective in attracting international attention to the plight of the Ijaw through this medium (Obi, 2008). MEND as tried to distance itself from the local political class and the ransoming of foreign workers, and tapping into local idioms, symbols and grievances, to embed itself in the people's consciousness. It has however gained international notoriety by its threats to cripple the Nigerian oil exports.

While it has targeted foreign oil workers, it has released all such hostages after a period, giving credence to the view that they are used to draw international attention to the injustices in the region, seen as an important aspect in globalising local resistance in the Niger Delta. In an interview by Brian Ross (2007 in Obi, 2008) Jomo Gbomo, the spokesperson of MEND elucidated on the objectives of the group:

‘The Movement for the Emancipation of the Niger Delta (MEND) is an amalgam of all arm bearing groups in the Niger Delta fighting for the control of oil revenue by indigenes of the Niger Delta who have has relatively no benefits from the exploitation of our mineral resources by the Nigerian government and oil companies over the last fifty years.’

It would appear that MEND's anger is against the government and the control over oil resources, which in tandem are held responsible for the plunder and pollution of the Niger Delta. Although the militant group has recently been affected by factionalism following three developments, the release of Asari Dokubo, leader of the NDPVF from prison in June 2007, the election of Jonathan Goodluck (of Ijaw ethnicity) as Nigeria's Vice president in 2007 and the arrest and detention in Angola of Henry Okah aka Jomo Gbomo, the core of MEND seems to have remained resolute and steadfast in its aims and ambitions.

Consistent with its insistence on remaining consistently rebellious in action and character, MEND rarely negotiates directly with the government. The militant group saw that Dokubo was arrested six months after he had been a guest of the previous president of Nigeria, Olusegun Obasanjo in Abuja and since then have been suspicious of the government. To demonstrate that it is actuated by the agitations for self determination and resource control, MEND requires its chosen mediators to publicise and popularise its missions and objectives to critical national and international audiences. It is not only the negotiators that are expected to carry the message of MEND to the outside world, but also the hostages the organisations takes who are subjected to indoctrination during their periods of confinement. It is speculated

that MEND does not exchange hostages for money, as they see them as bargaining tools to actualise the political objectives of the Niger Delta people. The movement claims that it depends on support that it receives from the people whose concern it advances, and has denied all involvement in oil bunkering (siphoning of oil from pipelines and illicit sale in unconventional markets). However, the sheer size of the economy of conflict estimated at the theft of about 100 000 barrels of oil a day (Ikelegbe, 2005:209) makes these claims unconvincing. Another source of income, in which MEND also denies involvement, is hostage taking that has become a prominent feature in the conflict. Between January 2006 and March 2007 militants abducted well over 100 oil-sector employees. An active ransom market has emerged that has brought considerable financial resources to various militia groups. The rising level of hostage taking has made oil companies increasingly aware of risks in the region, and more reluctant to send out repair crews to sabotaged or ruptured pipelines. This contributes to the enduring shut down of oil production.

In 2007, the temporary truce declared between MEND and the Nigerian state in mid 2006 collapsed, resulting in the further deterioration of the security situation in the Niger Delta (Obi, 2008). In 2007 MEND and their affiliates targeted Shell, Agip and Chevron, leading to the shut down of 27 percent or 675 000 bpd out of Nigeria's estimated daily production of 2.4 million bpd the highest levels since the crisis began. However, the most recent figures for January 2008 indicate that the current crude oil shut-in has increased from 600,000 to 1 million bpd, thereby suggesting a worsening of losses linked to the tensions and conflicts in the Niger Delta (Lawal 2008). Apart from the huge loss of oil revenue and profits, numerous civilians and military personnel have lost their lives.

3.5. The current situation in the Niger Delta²

When President Umaru Yar'Adua was inaugurated as president in Nigeria in 2007 he undertook to deliver on his campaign promise; to resolve the Niger Delta crisis within the first 100 days of his office. Ironically he fared worse than his predecessor Obasanjo in the resolution of the conflict. He set up a committee headed by Ledurn Mitee to brainstorm possible solutions to the crisis, the report of which he refused to implement (Amor, 2009). He further created a phantom ministry of the Niger Delta Affairs and allocated to it a paltry N51 billion whereas he approved N89 billion for the improvement of the Abuja/Ikojo road. Even

² The limitation this study puts on the use of source material is June/July 2009 and as such this deals with up to date information until that time.

as he authorised military onslaught on Ijaw communities in the Delta State, Yar'Adua is yet to release over N300 billion to the Niger Delta Development Commission (NDDC), the agency tasked with developing the Niger Delta taking over from the NDDB. This money is still being held by the presidency.

Against this backdrop, the security situation in the Niger Delta is tense and fragile as law and order as traditional authority systems and community governance structures have been severely eroded due to government neglect and social crisis. They have been replaced by militias and security rackets that trade protection for cash. Local government institutions have had little impact on the lives of the citizenry, and are seem to exist only on paper. The magnitude of military deployments in the region indicates in stark terms that the Niger Delta is, despite the counterclaims by government, in a state of war. Unfortunately, the massive troop deployments have only had a minimal impact, if any, on security in the region (Ukiwo, 2009). Moreover, there seems to be a gradual departure from the intra-delta ethnic rivalries that had historically weakened solidarities for pro delta initiatives.

Most ethnic minorities and stakeholders are now rallying around ideas of self determination and resource controls. However there have been counterclaims to this new found solidarity. According to Strategic forecasting³ (2007) MEND is splintering instead of consolidating. Attacks against oil interests in the Niger Delta are often attributed to MEND. It is conversely more likely that many attacks are carried out by groups that operate under the MEND banner by no longer feel compelled to report to central leadership. MEND is no longer the coordinated organisation it once was, as evidenced by its weakened ability to carry out large-scale attacks. Rather it has become a loose cooperation of criminal gangs and cult groups that seek control of trade routes and certain communities in the Niger Delta. The lack of leadership with Henry Okah being detained, has left a gap from which two potential new heads can rise, either Government Tompolo who is believed to be the leader of MENDs Delta State faction or Prince Farah Ipalibo of the Niger Delta Strike Force.

³ According to their website, STRATFOR is the world's leading online publisher of geopolitical intelligence. The global team of intelligence professionals provides members with insights into political, economic, and military developments to reduce risks, to identify opportunities, and to stay aware of happenings around the globe.

Criminal activities draw attention to the attacks on international firms. These attacks can broadly be divided into three categories: militant political activists, criminal thugs and community bounty hunters (BRS, 2007). There is often a thin overlapping line between these groups. Many coastal cities in the Gulf of Guinea have experienced criminally motivated attacks from militant groups. Banks are usually targeted, and thus far the raids have been very successful. Assaults on banks in Benin, Cameroon, and Equatorial Guinea point to organised crime instead of politically motivated violence. Furthermore a strong economy of oil bunkering and hostage taking has taken precedent over politics. Many militant groups are seemingly deviating from the political course and attempting to enrich themselves as opposed to their communities. These trends suggest the individuated workings of rebel groups seeking self-enrichment, rather than the fight for the rights and riches many believe is their birthright. As such the transformation from militant groups to criminal organisations has spread through the Niger Delta and consequently the Gulf of Guinea.

3.6. Regional concerns

The ultimate concern of this study is to determine impact of the conflict in the Niger Delta on the regional political risk of the Gulf of Guinea. In its most recent phase of the conflict, the politics of local resistance has been decisively violent. The new trend in the Niger Delta is also feeding into the global securitisation of the region and the surrounding Gulf of Guinea, whereby the international community, particularly the United States (US) is concerned about its energy security interests and a possible contagion effect of the volatile Niger Delta on its maritime commercial and strategic interests in West Africa (Obi, 2008). Apart from the billions of dollars worth of oil investment by the US oil companies, and the safety of American oil workers, the entry of oil companies from China, Indian and Brazil Malaysia and Korea into the region is perceived as a threat by some US policy makers.

In Nigeria the Delta's insurgents and criminals have proven time and again their capacity for planning and executing attacks against foreign shipping and offshore installations. They have on occasion succeeded on their own merit, sometimes with the help of corrupt company insiders as well as officers within the security forces (BRS, 2009). The Nigerian attacks for political reasons involve heavily armed militants launching seaborne sabotage attacks on facilities and vessels. In an unprecedented attack in June 2008 MEND managed to attack Shell's Bongo oilfield some 100km offshore. Some oil executives of the smaller oil industries who operate closer to shore and are vital to the offshore industry have considered withdrawing from the area if the recent rise in piracy is not checked (CRI, 2009).

Although a lot of attention has been placed on the piracy of the coast of Somalia, the Gulf of Guinea has become an increasingly vulnerable spot for offshore attacks. Nigeria's coastal waters ranked second highest in the world in the number of piracy attacks in the first quarter of 2009 when seven piracy incidents were recorded- unconfirmed reports indicated at least another 13 had occurred (CRI, 2009). Although piracy incidents off the coast of West Africa are more prevalent in the Nigerian coastal waters and near the financial capital of Lagos, recent incidents have also been recorded off the coast of Benin, Cameroon, and Equatorial Guinea (CRI, 2009). Piracy attacks in the Gulf of Guinea are carried out for either political or criminal reasons and often tend to be deadly and destructive. Cameroon's coastal waters have also seen a number of piracy attacks, most committed by rebels opposed to a deal with Nigeria that signed the oil rich Bakassi peninsula over to Cameroon, which will be discussed below. In 2009 At least six attacks on vessels and oil facilities were recorded in Cameroon coastal waters. Elsewhere seaborne gunmen attacked Equatorial Guinea's capital of Malabo in February 2009 shooting their way into the presidential palace before they were repelled by armed forces. Although the government has blamed the attacks on MEND the organisations' spokesperson denied involvement.

3.7. Conclusion

This chapter has presented a historical narrative of the Niger Delta conflict, offering a basis on which a political risk analysis of the Gulf of Guinea can be built. What the chapter has shown is that the intense violence that has become an almost daily occurrence with far reaching national and regional ramifications (BRS, 2007, Obi 2008, CRI 2009). The violence is underpinned by the high stakes involved and a deeply felt sense of grievance arising from perceived injustices which have not adequately been addressed by the federal state, in spite of vast earning from oil. Most of the wealth has not been invested within the country, contributing to most Nigerians living below the poverty line, and to the deepening social crisis whose effects can be seen in the cities and villages of Africa's most populous country and leading oil exporter (Obi, 2008). Evidence shows that the conflicts have complex causes that even mutate over time in response to various factors and force and defy the simplistic explanations or 'quick fixes'. Failure to recognise the historical specifications and dynamic of each conflict tend to aggravate those involved. As pointed out in this chapter, this violence has spread as a result of government failure and ineptitude. What should have been dealt with years ago was allowed to boil over. It is now not only affecting the Delta region, but almost the whole of the Gulf of Guinea.

Chapter Four: The Political Risk of the Gulf of Guinea

4.1. Introduction

This chapter aims to determine the political risk of the Gulf of Guinea. As noted in the first chapter the central research question is concerned with the impact of the conflict in the Niger Delta on the political risk of the Gulf of Guinea. As such the regional risk index which was developed in chapter two will be applied to the conflict in the Niger Delta. Using the risk index, which conceptualised the rating system each of the six variables will be rated as either having a low risk, medium risk, high risk, or extreme risk. Following from this regional impact of the conflict can be determined. A complete explanation as to how the risk rating is derived will be provided under each of the variable headings. Finally chapter four will end with an evaluation of the political risk findings.

4.2. Conducting risk analysis

When analysing risk, a rational choice approach is not enough (Fouche, 2003:19). According to Vertzberger (1998:5), a more sophisticated, contingent and empirically grounded theory of risk judgement and risk-preference formation is required. Vertzberger (1998:5) argues that decision maker should be able to:

- Be aware of and understand all variables impinging on the outcomes of investment;
- Correctly and coherently assimilate such variables in producing and integrated evaluation; and
- Know the potential biases that may affect their analysis of the variables.

Furthermore, all relevant contingencies, prepared plans and standard operating procedures must be continually and rapidly adjusted before they become outdated and irrelevant because of a high level of risk, indeterminacy and uncertainty.

4.3. Major and regional risk variables

4.3.1. Political stability/ (lack of) political will/law and order

Nigeria is potentially a regional hegemon that could bring stability to the region because of its vast population size and relative importance to the world economy. According to Ayoob (1995:142) regional hegemons must possess not only the military but also the economic means and the domestic political capacity to sustain a dominant regional role over a relatively long period of time. Nigeria, with its unstable political situation, especially evident in the Delta, is however a very weak candidate for the role of regional manager, despite its lead in

deploying ECOWAS forces into Liberia in August 1990, following the outbreak of civil war in that country. The country's ability to become a regional stabilising force, depends on the resolution of the lingering Niger Delta conflict (Ukiwo, 2009). The protracted conflict is costing the government millions of dollars deploying security forces in the region and in lost oil revenue. Due to government neglect the traditional authority structures have been severely eroded. The formal state structure and local councils have little impact on the populace. Such government structures only exist of paper, and are disregarded by communities.

To fill the vacuum left by a reduced state capacity, numerous protection rackets and militias arose, bartering security for cash while also trying to acquire their share of the oil wealth. A regime of state repression and corporate violence has generated further criminal hostility, lawlessness, and insecurity within the Delta. The area is saturated by a proliferation of arms and institutions of violence, ranging from the Nigerian Armed forces to community, ethnic, youth militias, armed gangs and criminal networks, pirates and protection rackets (Ikelegbe, 2005: 208). The extent at which the military is involved in the region indicates that the Niger Delta is in a state of war. However, these troop deployments have only the minimal stabilising effect. Despite numerous assaults by the Joint Task Force (JTF), a force tasked with maintaining order in the region, the topography of the Delta is such that the militants can easily escape and reform.

As noted in the previous chapter, the *(lack of) political will* refers to poor plan performance and the growing gap between plan formulation and implantation which can be attributed to the lack of commitment and political will on the part of many developing country leaders and decision makers. The political will to resolve the conflict in the Niger Delta by the various administrations in Nigeria has been somewhat of a paradox. Under President Olusegun Obasanjo the situation was, albeit not deliberately, allowed to spiral out of control. What is disturbing is that what started as genuine agitation by citizens in the Delta for a fair share in the management and control of the resource which has caused the ecological devastation of their land had been allowed to escalate into a shooting war with its attendant consequences. This despite the fact that several meetings between stakeholders and the government had been held to identify issues of critical importance and to proffer solutions that could ensure enduring peace in the region. Initially, stakeholders saw these meetings as a remarkable effort which helped dispel doubts and misgivings about the determination of government to initiate appropriate measure toward amelioration of the distressful conditions of the massively devastated Delta basin, however it soon became clear that peace was inevitable while oil

exploration proceeded unhampered for as long as the promised intervention of government was being awaited (Amor, 2009).

The situation soon spiralled out of control when Obasanjo submitted the NDDC bill to the National Assembly proposing to fund the agency through a formula that the lawmakers found inadequate. The National Assembly eventually passed the bill into law after it overrode Obasanjo's veto following his rejection of the amended version. Subsequent engagements between government and stakeholders, usually after violent flare-ups, were followed with assurances that were never kept by the central authorities. Following this, since President Umaru Yar'Adua came to power in 2007, his response to the region's troubles, like his predecessor, has been incoherent, indecisive and unproductive (Moncrieff, 2009). In the first few months of his administration, he proposed a Niger Delta Summit, which after months of lengthy preparations never took place.

In September, 2008, he established a Technical Committee to review options for resolving the crisis. In December 2008, the committee submitted a report to the president recommending amnesty for militant leaders within a comprehensive demobilisation, disarmament and rehabilitation (DDR) program; an increased allocation of oil revenue to the Delta; urgent improvement of infrastructure and human welfare services; and new institutions for the region's longer term development (ICG, 2009). While the document did not address all the aspects of the crisis, its proposals were sufficiently comprehensive to serve as a catalyst. The Technical Committee also urged the government to issue a white paper by 1 January 2009 outlining strategies for rapid implementation of its recommendations. Yar'Adua's statement at the time, that the government would implement those recommendations it found 'acceptable' raised apprehensions in the Delta and across civil society that it would carry out only those recommendations that were politically convenient. Aside from some as yet unspecified plans for amnesty for Delta militants, nothing has been done. Instead Yar'Adua has decided to defeat the Niger Delta insurgency militarily, increasing the manpower and equipment to the JTF. The increased military presence has sparked some of the most violent confrontations in the Delta's recent history. Furthermore thousands of people have fled their homes to escape the violence (Walker, 2009). The military are determined to stop the sabotage of oil installations and kidnappings, but some reports indicate that numerous civilians have died in this effort. However, it is almost

impossible to verify the amount of civilian deaths since the military are not releasing any figures.

In a regional context, the area the Niger Delta finds itself in, has been an arena of continuous instability, internal turmoil and cross border conflicts. In a broader sense, the internal instability of Nigeria, the 25 year long civil war in Angola, the turmoil in the Democratic Republic of the Congo since the mid 1990's, the repeated internal conflicts in the Republic of the Congo and in the Central African Republic, as well as the numerous failed coup attempts in Equatorial Guinea have created an area in which business can potentially suffer. While the conflicts have involved local regimes, opposition forces, and rebels, the security situation has been complicated and exacerbated by external influence driven by geopolitical and economic interests.

In many cases natural resources have been at the centre of cross-border tensions between producing countries. One such example in the Gulf of Guinea is Gabon, laying claim to the small island of Mbanie which has important oil reserves (Mane, 2005). The island was previously regarded as territory of Equatorial Guinea according to colonial maps. The dispute between the two countries has been evident since 1972, when Gabon's army chased Equatorial Guinea fighters from Mbanie (Afrol News, 2009). In order to resolve the dispute the United Nations (UN) secretary general Ban Ki-moon has appointed Swiss legal expert Nicolas Michel as a special adviser and mediator,

The Gulf of Guinea has not experienced conflict on the scale as many other countries in Africa, however the region has been a hotspot for instability. A valid concern is the example being set by the Nigerian insurgents. With recent oil and gas finds throughout the Gulf many disgruntled youths might simply follow the successful example set by the Niger Delta militants. Furthermore the transition from politically motivated violence to criminal attacks has exacerbated an already restive area. Crime as an occupation is experienced in most countries in the Gulf of Guinea. Benin, Nigeria and Cameroon all have high instance of violent crime (OSAC, 2009). Cameroon has in the past four years had a surge of violence mostly attributed to the militants in Nigeria. In 2008 in Cameroons coastal city of Limbe, six militants reportedly used explosives to break into four banks seizing large sums of money, and then barricading roads leading into the coastal town before being repulsed by Cameroonian soldiers and fleeing back to their boats. The raid was at least the third of this

kind in less than a year on the banks of the Gulf of Guinea, while countries after Benin and Equatorial Guinea saw similar incidents. Assaults of this kind, against banks in countries neighbouring Nigeria, indicate that the militants have seemingly moved away from their politically motivated goals in favour of self enrichment ones.

With Nigeria's president Yar'Adua at the helm of the regional trading bloc ECOWAS⁴, and the natural leadership that the country could accept in the region, it is firmly able to determine its own future within the region. As such, it is mostly up to Nigeria to decrease the prevalent insecurity throughout the Gulf of Guinea. The country is unfortunately unable to address its own problems most notably the conflict in the Gulf of Guinea and thus is in no position to combat the rising political insecurity in the region.

Using the risk index derived at in chapter two the *Political stability/ (lack of) political will/law and order* of the Niger Delta is rated as **high** as the region is very unstable, civil unrest, politically motivated violence, and lawlessness are evident. Governments performing poorly as almost no political will is evident law and order are seemingly ignored as numerous protection rackets and militia groups are vying for oil wealth. The sheer amount of military personnel in the region acknowledges the level of instability in the Delta. Although outwardly the federal government are seeking solutions to the protracted conflict, it would seem that the committees set up to investigate the situation, are ignored. As well as having a localised impact on stability, the conflict in the Niger Delta also has regional implications which will be investigated further below under the *Bad neighbours/dependence on a foreign power/external conflict*, and *war, armed insurrection* variables. Nigeria being the regions' most obvious regional stabiliser has to find a way to effectively end the conflict in the Delta and assume its role as regional hegemon. Its success in this venture relies on the country's ability to deal with its internal instability.

4.2.2. Bad neighbours/dependence on a foreign power/external conflict

Although the Niger Delta is a prime example of a bad neighbour or a hostile foreign power this analysis will look at the affect the rest of the Gulf of Guinea has on it. The variable *bad neighbours/dependence on a foreign power/external conflict* examines whether the country in question is under the influence of either a superpower or a regional hegemon. This variable

⁴ ECOWAS is a regional bloc that aims to promote co-operation and integration in economic, social, and cultural activity, ultimately leading to the establishment of an economic and monetary union through the total integration of the national economies of member states (African Union, 2009). Currently Nigeria's president Yar'Adua is sitting in the leadership position of ECOWAS.

also includes trouble spots which are explained as regions which have a history of unrest or insecurity.

Nigeria has the biggest economy in the region as well as the largest population. By definition the country is the regional hegemon, although it is currently not functioning as one. What makes the country even more important is its role as a stabiliser of energy security for the world market. The country supplies the US with 15 percent of its oil needs while being the seventh largest producer of the resource worldwide (Stuijt, 2009). However, the region where most of the oil is produced, the Niger Delta, is embroiled in an insurgency against the state and the MNOC's. With the youth as their vanguard the militants representing various ethnic groups have been able to effectively cut the oil production in the Niger Delta to almost half the national capacity. The conflict has been the culmination of years of neglect by the Federal Nigerian government. The instability within the Niger Delta is dire, and unfortunately the violence has not remained within the national boundaries of Nigeria.

However, the analysis of this variable is more concerned with the effect the rest of the Gulf of Guinea has on the Niger Delta and not the other way around. Many countries within the Gulf of Guinea are experiencing some form of insurgency, and an argument can be made that the cause of these insurgencies are related to the conflict in the Niger Delta. However a territorial dispute that influenced Nigeria and more specifically the Niger Delta is the contentious border dispute between the country and Cameroon over the Bakassi peninsula. The Bakassi peninsula is situated on the border of Cameroon and Nigeria and is said to contain up to 10 percent of the world's oil and gas reserves (BBC, 2006). A colonial legacy of disputed borders started the contention for the territory. Although Nigeria administrated the area since its independence from Britain in the 1960's, Cameroon based its claim on sovereignty over the region on maps dating back to colonial times. The two countries almost went to war in 1981 while bloody clashes claimed 34 lives in 1994. That year Cameroon took Nigeria to the International Court in The Hague, which ruled in favour of Cameroon in 2002.

Nigeria initially rejected the ruling, but after a UN intervention the two countries set up a UN chaired joint commission to resolve the conflict. In 2008 Nigeria completed the handover of the Bakassi peninsula to Cameroon in a ceremony in Calabar, Nigeria. However many Nigerians, some living in the disputed territory are reeling against the decision to hand over the peninsula. Several militant attacks have been evident throughout the transition process. In November 2007, 21 Cameroonian soldiers were killed when unknown gunmen in speedboats

attacked their positions in the peninsula. Early in July 2008 six Cameroonians including five soldiers and a local administrator were killed in a similar incident (Mbachu, 2008). The attacks have been attributed to disgruntled Nigerians living in the Bakassi as well as the Niger Delta militants.

The history of bad governance experienced throughout the region has supplemented a platform which encourages the continuation of violent acts. Although democracy seems to be entrenched it has taken on an instrumental rather than intrinsic feel and corruption is rampant. As far as being influenced by a super power as noted above, Nigeria supplies the US with a large percentage of its oil needs therefore it is in the US's best interests to secure the flow of oil from the region. For this reason, the US has continuously increased its presence within the region in terms of human capital and naval workshops to improve the effectiveness of the local security forces. However under no conditions can one argue that Nigeria is under the influence, or doing the bidding of the US.

The Niger Delta's insurgency came about through prolonged government neglect, and not as a result of a foreign government's influence. Initially the Niger Delta communities used peaceful means to try and persuade their governments to develop the region. However, the youth soon got disgruntled with the ineffective means the elders went about airing their grievance and soon formed militant organisations that took direct physical actions against the MNOC's and the Nigerian Government. The culmination of these groups would undoubtedly be MEND who are seen more as an umbrella organisation. With sophisticated planning and execution, MEND has been able to put up an effective resistance against the federal government and the MNOC's. As such, the Niger Delta is itself a trouble spot and not under the influence of one.

The Variable *bad neighbours/dependence on a foreign power/external conflict* is thus rated as **high** as the region is under the negative influence of a country or hegemon, has a continuous history of unrest and is currently experiencing violence. The countries within the region affect the Niger Delta in terms of creating a culture of bad governance and as such create a platform from which violence can erupt. It must be noted that the Niger Delta is the principal *bad neighbour* in the region but it is still affected by its neighbouring countries in the Gulf of Guinea.

4.2.3. War, armed insurrection

Grievances on the part of local populations in the Niger Delta over environmental damage and low levels of development escalated in 2004, with the emergence of organised armed militant groups, often linked to local politicians, who demand more resources for the region. They have targeted oil companies, which they accuse of being complicit with a negligent government, and have engaged in a protracted fight with security forces. Although the Nigerian military has been present in the Niger Delta for some time now, President Yar'Adua decided to defeat the militants militarily, increasing the manpower and equipment of the JTF. The JTF is composed of army, navy, anti riot police and more recently air force elements (Moncrieff, 2009).

The initial build-up has been followed by a sustained but poorly targeted offensive against the militants. Military helicopters have shelled militant basis while also targeting neighbouring villages in subsequent manhunts for military targets. However militants have responded by ambushing several military personnel killing 12 on the 21st of May 2009 according to several press reports (Ezigo, Onabu, and James, 2009). The government offensive has provoked an outcry among organisations representing the Ijaw community in the western Delta and human rights groups who have said the campaign has put many civilians at risk (Green, 2009). Specifics are hard to verify, as journalists and aid workers have been barred from the operation area. According to BBC in May 2009, hundreds of civilians may have been killed during the military onslaught against the rebels, with many more wounded, and thousands displaced (Walker, 2009).

History suggests that the military solution to the conflict has little lasting effect. Previous strong-arm measures, such as the military offensive in September 2008, have done little to degrade the militant's capacity effectively or permanently (Moncrieff, 2009). Unfortunately, these troop deployments have little positive impact on the security of the region (Ukiwo, 2009). Instead, military operations have only further militarised the region and undercut moderate civil society voices calling for peaceful change from within the very Niger Delta's ethnic groups where the violent militants draw support. The wide availability of small arms, the Deltas difficult topography, and widespread local anger at government policies, all indicate that things may be little different this time around.

According to the NNPC, the recent action by the Nigerian military has not however significantly impacted on oil production. Companies such as Royal Dutch Shell, ExxonMobil and Total who have operations in Nigeria will be watching to see whether the offensive taking place outside the city of Warri succeeds in pushing militants on to the defensive, or provokes retaliatory strikes against vulnerable pipelines snaking through the region's vast wetlands (Green, 2009). MEND has pledged 'all-out war' in one of many statements to journalists since the military attacked the important militant 'camp five' believed to be housing Government Tompolo suspected leader of MENDs Delta faction (James, 2009). MEND however, has yet to demonstrate it still has the ability to mount the kind of spectacular attacks seen in early 2006, when it shut down roughly a fifth of Nigeria's production, much of it operated by Shell.

As well as targeting MNOC's for political reasons, a new trend has emerged that has been characterised by criminal attacks as opposed to ones carried out for political reasons. Attacks on banks along the coast of the Gulf of Guinea, oil bunkering as well as an increase in kidnappings have put in stark terms the seriousness of the criminal intent. The economy of conflict in the Delta has become a lucrative income for many militant groups which spans from, gun running, kidnapping of foreign oil workers, oil bunkering to drug trafficking. Given the sheer size of this economy it would seem obvious that many militant groups neglect their initial politically motivated ideals for ones in favour of self enrichment.

Despite the best efforts by the JTF, the violence has however not remained localised. Although a lot of attention has been placed on the piracy of the coast of Somalia, the Gulf of Guinea has become an increasingly vulnerable spot for offshore attacks. Nigeria's costal waters are ranked second behind Somalia as the most dangerous waters in the world. The region recorded seven pirate attacks in the first quarter of 2009 (CRI, 2009), however unconfirmed reports indicated that at least another 13 incident had occurred. Although most of the piracy incidents are centred around the financial capital of Lagos, recent incidents have been reported off the coast of Benin, Cameroon, and Equatorial Guinea. Piracy in the Gulf is carried out for either criminal or political reasons however in both cases they prove deadly and destructive.

Further, seaborne attacks and sabotage on oil facilities launched by Nigerian militants have severely crippled the oil production in the Gulf. Despite successful results closer to the coast, the militants are becoming more daring, venturing out further and further into the Gulf. In an

unprecedented attack in June 2008 Nigerian militants attacks the Bongo oilfield 100 kilometres off the coast (CRI, 2009). Before this attack no incidents had occurred further than 65 kilometres from the coast (BRS, 2007). For the militants a second purpose behind attacking offshore targets is acquiring hostages. MEND is thought not to exchange hostages for money as they see them as bargaining tools to actualise the political objectives of the Niger Delta people. However, the practice does exist as many groups see it as a lucrative income.

Cameroon's waters have seen a number of piracy attacks, mostly committed by rebels opposed to the deal with Nigeria that signed Bakassi peninsula over to Cameroon. At least six attacks on oil facilities and service vessels were recorded off the coast of Cameroon in 2008. Just south west of Cameroon, the capital of Equatorial Guinea, Malabo was attacked by gunmen in February 2009. The heavily armed militants shot their way to the presidential palace before they were repelled. The Government blamed the attack on MEND who denied any involvement forwarding the idea that the once mighty organisation might be splintering. It is more likely that many attacks are carried out by groups that operate under the MEND banner by no longer feel compelled to report to central leadership (Stratfor, 2009). MEND is no longer the coordinated organisation it once was, as evidenced by its degraded ability to carry out large-scale attacks. Rather it is thought that the group has become a loose cooperation of criminal gangs and cult groups seeking control of trade routes in the region, and certain communities in the Niger Delta. Whether MEND is degraded or not one cannot doubt the gravity of the situation in the Gulf of Guinea.

The Nigerian Navy, arguably the most professional of the Government Security Forces, lacks investment and resources to effectively combat seaborne attacks both off the Nigerian coast but also in regional waters. The affected area is vast and the Nigerian navy simply do not have enough vessels to patrol the Niger Delta as well as the hundreds of oil platforms.

In a region of former British, French and Spanish colonies, the most prominent in efforts to boost local capabilities is the US, which has a near permanent presence with ships training local security forces (Lewis, 2009). The new trend in the Niger Delta is also feeding into the global securitisation of the region and the surrounding Gulf of Guinea, whereby the international community, particularly the US is concerned about its energy security interests and a possible contagion effect of the volatile Niger Delta on its maritime commercial and strategic interests in West Africa (Obi, 2008). US military visits to the region have increased

dramatically, from almost no activity in 2004 to nearly continuous visits by US Navy vessels in 2006, according to conference briefing documents provided to reporters in November by Admiral Harry Ulrich, commander of the US Sixth Fleet and US Naval Forces Europe (Crawley, 2006). During their patrols, Navy teams make frequent port calls and undertake humanitarian and medical missions as well as meet with government and nongovernment officials both ashore and aboard ships. The Gulf of Guinea faces a challenging security environment, according to the briefing documents. Illegal fishing costs more than US\$1 billion a year. Niger Delta violence causes more than 1000 deaths a year and significant disruptions of Nigerian oil supplies.

According to analysts at Control Risk⁵, the militant operations in the Gulf of Guinea appear to be spreading and are becoming more threatening (Lewis, 2009). The insurgency in the Delta has always been a troubling factor, but now that groups are taking their grievances further afield, striking oil platforms, vessels, high-street banks and even Equatorial Guinea's presidential palace the war and armed insurrection seems to have reached a new epoch. The weakness of states in the region has allowed militant groups, at times operating off mother ships similar to those used by the Somali pirates, to move easily in vast stretches of waters. They are able to do this because of the weakness of the current navy capabilities. No country in the Gulf of Guinea has naval force worthy of the name (BRS, 2007). Nigeria is the main provider of maritime security in the region, but is severely constrained by limited resources. The incidents of criminal piracy outside Nigeria's territorial waters have become a cause for concern for the regional energy security. The greater region hosts Nigeria and Angola, sub-Saharan Africa's two largest oil producers, Gabon, Cameroon, the two Congos and Equatorial Guinea, and oil nation with aspirations in natural gas (Lewis, 2009). Oil from landlocked Chad is also exported through the Gulf. Sub-Saharan Africa produced more than 9 million barrels of oil per day in 2008 with the Gulf of Guinea nations accounting for nearly 5 million of the total. The US national intelligence council expects the region will provide 25 percent of American oil by 2025.

⁵ According to the Control Risks website the company is an independent, specialist risk consultancy that provides advice and services that enable clients to accelerate opportunities and manage strategic and operational risks (Control Risk, 2009).

Having watched the violence in the Delta, neighbouring countries have become more aware of the threat than ever before. In light of the Malabo attacks, Gabon bolstered its border and Cameroon replaced regular army soldiers in the Bakassi with Special Forces answering directly to the president. Angola, the current chair of the Gulf of Guinea Commission, has called for a regional security mechanism to tackle shared threats such as the Niger Delta militants. Cameroon and Nigeria officials have constantly been in contact over joint strategies and cooperation. However, in a region with vast amounts of oil and border demarcation disputes, coordination and cooperation has been difficult.

The risk rating for *war, armed insurrection, and instability* is **high**, as a country in the region is embroiled in a continuing insurgency with attacks being widespread.

4.2.4. Ethnic/religious and/or politics/radical tensions social conflict, deep ideological cleavages

Nigeria is an archetypal society characterised by divergent languages, cultures, ethnic groups and geographic regions. The realisation that a society as diverse as Nigeria may be difficult to manage administratively partly informed the decision to adopt the Lyttelton Constitution of 1954 which formally inaugurated the practice of federalism in Nigeria (Babawale, 2001). Unfortunately the Nigerian federation is lopsided and unbalanced with the northern region emerging as a bigger entity than a combination of the entire population of the eastern and western regions. The struggle for power sharing was reduced to a fight for hegemony by the three largest ethnic groups, namely the Hausa-Fulani, Yoruba and Igbo. In the course of the struggle, those who fell outside these groups were considered to be minorities, and were marginalised not only in the allocation of power but resources as well. Of the three major ethnic groups the Hausa-Fulani emerged as the victors and consequently controlled the federal power structure. The other two major contenders had cause to complain of marginalisation. Indeed, such feelings partly accounted for the civil war that nearly dismembered the country between 1967 and 1970.

Among the minorities the cry of marginalisation has been severe. Years of military dictatorship have virtually cemented the Hausa-Fulani dominance in politics and left the rest of the ethnic groups with very little. For the purposes of this study the southern minorities will be focused on. The southern minorities feel they deserve to take control of their oil revenue which is largely extracted from their communities instead of the tokenism they receive in the form of revenue allocation from the federation account (Babawale, 2001). This

is the most controversial issue as the central government in Abuja currently return only 13 percent of the Delta region's oil wealth to local governments (Moncrieff, 2009). Delta moderates and militants alike argue this percentage should be much higher while leaders from other Nigerian ethnic groups and regions that are dependant on delta oil money strongly disagree. The Nigerian government's aggressive response to the problems of militancy in the Niger Delta stands in contrast to its apparent unwillingness to lay out a clear plan for development in the region, or to engage with community groups. By foregoing opportunities for dialogue in favour of an attempted military solution, the government is merely falling back to tactics that proved ineffective in the past.

Ethnicity plays a big role in Nigerian society. In essence, the background to the emergence of ethnic militias was the manipulation of ethnicity by the governing elite across the various regions especially as a means of bargaining for power in the post democratic era (Babawale, 2001). The potential benefits from the oil economy to community leaderships and groupings whether solicited or compelled are quite enormous and a major element in the struggle for the benefits of the oil economy from the MNOCs is the ownership of land and water in which oil fields are located (Ikelegbe, 2005). This has fuelled inter family, group, community and ethnic contestations which involves highly destructive fighting. Consequently, the region has witnessed a regime of intra/inter communal/ethnic conflicts between ethnic groups such as the Ijaw and Itsekiri, Ijaw and the Ilaje, Urhobo and Itsekiri, to name but a few.

The most extensive and intense of these conflicts has been between the Ijaw and Itsekiri in the Warri area. The conflict is as old as the colonial era and was probably evident before, but when oil was discovered in the 1950's a new point of contention was discovered. These conflicts have at different times, escalated generating a reign of insecurity, oil production disruptions and violence (Ikelegbe, 2005:13)

However, there have been instances of unity since the 1990s. Some groups within the Niger Delta have increasingly forged a common front to address common development challenges in the region. The campaign for resource control and civic rights by the people of the Niger Delta has been a rallying point. The impetus for the change has partly derived from the proliferations of non-ethnic pan-Delta civil society movements, and the emergence of indigenous civilian governors (Ukiwo, 2009). Between 1984 and 1999, the military governors were appointed by and responsible to the commander-in-chief. They made no pretence of representing the interests of the people of the states they were administering and were more

concerned with maintaining law and order at all costs. This approach to governance predisposed the non-indigenous governors to work against pan-Delta solidarity. In fact, some of them were perceived as having used divide-and-rule strategies to maintain hegemony. The insensitivity of the military governors and their preference for heavy-handed responses to community agitation contributed to the militarisation of conflicts in the Delta. Therefore, democratisation and the emergence of elected governors since 1999 helped promote Niger Delta solidarity and the agitation for access to increased oil revenues for the development of the paradoxically oil-rich, but largely underdeveloped region.

It can be argued that the ethnic militia's and now militants have in many cases banded together which translates into a higher sense of insecurity in the Niger Delta and the larger Gulf of Guinea. MEND is seen by many as an umbrella organisation that simply puts forward an idea which is then interpreted by the various groups as they see fit. The rise of criminality in the Neighbouring countries supports this view. However, whether the militants that attack oil installations, kidnap oil workers, or even attack coastal banks, are from one ethnic group or many is unknown as no such profile has yet been created.

The risk rating for *Ethnic/religious and/or politics/radical tensions Social conflict, deep ideological cleavages* is **high** as governments and politics are ethnically based. Ideological and ethnic tensions are evident and unrest is being felt widely. The ethnic groups are motivated to access their fair share of oil revenue and as such business is severely affected.

4.2.5. Authoritarianism/undemocratic measures to retain power/ generals in power

The Niger Delta has a history of bad administration. The very reason that the youth militias took up an armed struggle against the government was because of inept central planning and neglect. Since Nigeria returned to a democracy in May 1999 (after more than three decades of military rule and economic crisis), the country has been faced with many challenges such as national reconciliation, reconstruction and economic reform, and democratic consolidation. Under President Obasanjo the country rebuilt itself and tried to combat the rampant corruption that had been evident under the authoritarian government. In 2006 the previous head of the World Bank Paul Wolfowitz estimated that Nigeria has lost over US\$300 billion to institutionalised corruption (Adeniyi, 2006).

Although Obasanjo had fought valiantly trying to eradicate corruption his own victory, in the 2003 elections were marred by allegations of widespread rigging and political intimidation. Around 100 people died in election related violence. The Nigerian Supreme Court unanimously rejected all challenges of corruption and election rigging saying that fraud was discovered but not enough to have changed the poll results (Freedomhouse, 2006). Obasanjo's successor Yar'Adua was democratically elected in April 2007. International observers reported overall a seriously flawed process with credible reports of malfeasance and vote rigging in some constituencies. The scope of violence that occurred also was regrettable. There were considerable degrees of difference in the conduct of elections among states, but serious differences were also observed within states during the two polling dates.

The main opposition parties, All Nigeria People's Party and the Action Congress, as well as numerous smaller political parties and the ruling People's Democratic Party filed petitions to challenge the results of gubernatorial elections in 34 of Nigeria's 36 states (US State Department, 2009). The Court of Appeal received 1,527 petitions, a tripling of the 527 petitions filed and received in 2003. Nigeria's National Electoral Commissions (INEC) principal problems included politicization and lack of independence, lack of transparency in its operations and decision-making and persistent failure to make adequate logistical arrangements for both voter registration and polling. With INEC's certification of the ruling party's presidential ticket as the winner with over 70 percent` of the vote, Nigeria experienced its first transition of power between civilian administrations when President Obasanjo stepped down on 29 May 2007.

Despite the positive step towards democracy in 2007, the Delta region was severely affected by election violence. The flawed election exacerbated the already prevalent prospects of intensified conflicts in the Niger Delta (ICG, 2007). It provoked diverse reactions in the region. Dozens of people were killed when armed gangs, competing for a greater share of illegal state government handouts, staged battles in the streets of Port Harcourt, the capital of the River State in the Niger Delta (HRW, 2008). The politicians behind these attacks have openly fomented violence for years untouched.

The precedent created by Nigeria can potentially be duplicated by other countries in the Gulf of Guinea. It must be noted however that flawed elections are not uncommon in the region. Numerous countries in the Gulf of Guinea have experience some or other form of alleged undemocratic practices. Equatorial Guinea lacks a well established democratic tradition, but

has improved its human rights record and political performance over the past five years (US state department, 2009), while the Cameroonian general presidential elections held in 2007 were noted for being flawed, especially in the registration of voters and the prevention of voter fraud.

Although undemocratic measures to retain power are evident in Nigeria, the chances of the country reverting back to military rule are slim. The majority of the information supplied for this variable seems to be negative but paradoxically democracy in its most basic form seems to have a foothold in the region. For this reason the variable *Authoritarianism/undemocratic measures to retain power/ generals in power* is rated as **medium**. The undemocratic measures to retain power does not seem to cause a country within the region to slip back into a military regime and as such the rating is medium.

4.2.6. Religious fundamentalism/radical religious forces/religion in politics

As well as being an ethnically diverse nation, Nigeria is also separated by diverse religious views. 50 percent of Nigeria's 140 million population follows Islam while 40 percent mainly concentrated in the southern part of the country, follows Christianity and the remaining 10 percent still adhere to their indigenous beliefs (CIA world fact book, 2009). Islam is very dominant in the North of the country with 12 of the northern states adopting sharia (Islamic) law. Although the majority of the population of Nigerians northern states is Muslim, many Christians live there as well. Especially in these northern states, over the past few years, relations between the two faiths have been severely strained, with sporadic outbreaks of violence related to the introduction of the Islamic criminal punishment across the north of the country (Isaacs, 2009). Human rights groups say that Islamic courts fail to respect the due process rights which lead to harsh discriminatory sentences. In 2000 in the worst such case in the city of Kaduna, more than 2000 people died in street protests which were eventually brought under control by the Nigerian Armed Forces (BBC, 2002). It is estimated that during Obasanjo's first four years as president 10 000 people died in clashes between the countries Christian and Muslim communities (Isaacs, 2009). However there are contending views that see this unrest not as a result of religious tensions but as being provoked by marginalized politicians, using cultural divisions and misunderstandings to destabilize parts of the country for their own ends. This observation was particularly felt during the first term of president Obasanjo's tenure when opponents to his government sought to undermine the country's stability. It is noteworthy to mention however that when Obasanjo won his second tenure as president in 2003 this trend had all but abated.

The rise of religious tensions in the north of Nigeria has led some researchers to believe that Islam could potentially spread further southwards. According to Wilders and Bosma (Stuijt, 2009), a crucial religious battle is now being fought on the fault line between the Muslim north and the Christian south. If seven more states adopt the Sharia law, Nigeria could potentially be forced to adapt its constitution in so doing making Nigeria an Islamic country. According to independent correspondents however, it cannot be said that Nigeria is a country radicalized by recent world events (Isaacs, 2009). Perceptions of the daily lives of the ordinary Muslims in Nigeria tend to be overshadowed by the media reports of conflicts and crisis between Muslims and Christian communities in the northern cities. This nullifies the foundations on which analysts base their findings such as those expressed by the Wilders and Bosma. Although there is little foundation on which to base this theory it is important to mention it for it represents a worst case scenario which could have far reaching consequences for western business in Nigeria if it came to the fold. The resurgence of the state and/or political inspired Islamic fundamentalism and terror makes this variable a powerful indicator of political risk in a region. From the Iranian revolution in 1978 onwards Islamic fundamentalism seems at odds with capitalism and foreign investment.

Thus far most of the clashes between the two religions have been realised in the North of the country and as such the south and more importantly the Niger Delta has not been directly affected. There is little foundation on which to base a theory in which Islam spreads throughout the country and as such the south will most probably remain majority Christian. Therefore with religious tensions mainly being felt in the north of the country and not exacerbating the situation in the Niger Delta the variable *religious fundamentalism/radical religious forces/religion in politics* will be rated as **medium**. Primarily for the reason that Islam is prevalent in the North of the country this variable will not be rated as low.

4.3. Evaluation of findings

In an integrated region like the Gulf of Guinea it is the regional as opposed to the national political risk that becomes important. In the contemporary landscape of reformed geographies, many parts of the world have become integrated economic units. By carefully noting these economic and political developments, it has clearly become necessary to evaluate the risk of a particular region rather than the risk of a specific country. For this reason the casual relationship between the various players in the Gulf of Guinea cannot be ignored. The study's central research question of how the conflict in the Niger Delta affects the political risk of the Gulf of Guinea was examined in this chapter.

Under the variable *Political stability/ (lack of) political will/law and order*, the impact of the conflict in the Niger Delta was rated **high**. Nigeria's ability to fill its natural role as the region's stabiliser is put in jeopardy by the continuing conflict in the Niger Delta. Crime and lawlessness are evident, and as such the traditional authority systems have failed to contain the violence. The federal government of Nigeria furthermore seems unwilling to implement the recommendations of its own committees, concerning the Delta. The disgruntled youth in reaction to the governments neglect moved away from their traditional power structure, and created a militia movement that has effectively cut Nigeria's oil production by half. The example set by Nigeria is a coherent model from which other countries within the Gulf can learn. It is unfortunately not an example of good governance; instead it is one of neglect and bad administration, creating civil unrest in the economic heart of the country.

The variable *bad neighbours/dependence on a foreign power/external conflict* is rated as **high**. With a culture of instability that is evident throughout the Gulf area one feels that the Niger Delta did not have the best democratic example set for it. The dispute between Nigeria and Cameroon over the Bakassi peninsula further aggravated an already tense area. A positive in the region is the involvement of the US. The country is wishing to secure the flow of oil to its shores while building up local capacity to combat the insurgency. It must be noted that the Niger Delta itself is the ultimate 'bad neighbour' to have but in its own right the delta is influenced by the culture of bad governance in the region.

A **high** risk rating is given to the variable *war, armed insurrections*. Despite counterclaims by the government, the region is in a state of war. The massive troop deployments are a stark reminder of this. However, the violence has not remained localised. Many militants have attacked Nigeria's neighbours in either criminal or political pursuits. Even the capital of Equatorial Guinea was assaulted by heavily armed militants. The region is second only to Somalia as the most dangerous for maritime vessels, and it seems every year piracy attacks increase. This variable is not ranked as extreme due to the fact that no countries themselves are currently at war.

The variable *ethnic/religious and/or politics/radical tensions, social conflict, deep ideological cleavages* is rated as **high**. The Niger Delta is a region of the world where ethnicity plays a big role in politics. The region has experienced some of the most intense fighting between rival ethnic groups, and consequently created an environment of insecurity. There are however some positives coming out of the region. Some ethnic groups have banded

together to present a unified front to the government in places where there is common interest. This can potentially be a building block on which peace within the region between various ethnic groups can be built but until then the rating remains high.

A **medium** risk rating is given to for *Authoritarianism/undemocratic measures to retain power/generals in power*. Nigeria has a history of military rule the country experienced its first civilian government transition in 2007. Although elections were marred by violence and fraud, the results were generally positive. What is distressing is that voter intimidation and in some cases all out conflict is common the Niger Delta election. Furthermore, the politicians that are behind these attacks on rivals have thus not been brought to justice and are so free to continue in the next elections. However democracy seems to have a foothold in the country and the general risk is medium as there is no evidence that Nigeria will revert back to military rule.

Finally, a **medium risk** rating is given to *religious fundamentalism/radical religious forces/religion in politics* as religious fundamentalism plays a small role in a country but business is not direly affected. Although there are twelve northern states in Nigeria that are under Muslim Sharia law, the religion has not thus far spread southward. Should the Delta militants become Islamic, one could argue that their actions would become even more radical and further shun business but the possibilities of this are low. However the variable is rated as medium because of the presence of the 12 northern states.

Judging by the rating system, if any of the variables receive an extreme rating, the overall rating will be extreme, if two or more variables are rated as high the overall political risk will be high, if none of the above are evident then the overall political risk will be compiled by a majority rating the overall risk for the political risk of the Gulf of Guinea is **high** as the corresponding table below will indicate. The political instability in the Niger Delta is ethnically motivated further compounded by bad governance. The region is extremely unstable and is experiencing some of the worst acts of violence in recent history. What is certain is the inefficiency exhibited by the federal state in resolving the conflict has made the Niger Delta and consequently the Gulf of Guinea an extremely volatile place in which to do business. However, as mentioned before, the Niger Delta and the Gulf of Guinea is a region where dramatic changes happen ever so often. As such a transformation could occur that would nullify this research's findings. Therefore it is always prudent to analyse risk on a

continuous basis and in this regard an up to date record of the Niger Delta which is not delimited to June/July 2009 would prove to be invaluable.

Regional risk variables

	Political stability/ (lack of) political will/law and order	bad neighbours/ dependence on a foreign power/external conflict	war, armed insurrections	ethnic/religious and/or politics/radical tensions, social conflict, deep ideological cleavages	Authoritarianism/und emocratic measures to retain power/ generals in power	religious fundamentalism/ radical religious forces/religion in politics
Extreme risk						
High risk	X	X	X	X		
Medium risk					X	X
Low risk						
Overall risk rating: High						

Table 2: Overall risk rating.

4.4. Conclusion

This chapter sought to analyse the political risk of the Gulf of Guinea. To do so the variables utilised in the regional risk index, in chapter two, were applied to the Niger Delta to assess their regional impact. Each of the variables was examined and a risk rating was applied to them. As the table above indicates, four of the variables were rated as having a high risk while two garnered a medium risk rating. The overall risk rating for the six risk variables was thus high indicating in stark terms that the Niger Delta severely affects the political risk of the Gulf of Guinea.

Chapter Five: Conclusion and evaluation.

The aim of this study was to analyse the conflict in the Niger Delta in order to assess its impact on the political risk of the Gulf of Guinea. The study took the form of a political risk analysis which is a means of forecasting potential pitfalls for an investing client so as to mitigate or manage risk. The study further postulated that a country specific risk analysis would not be enough for an integrated system like the Gulf of Guinea. In the contemporary climate the regional has become more important than the national. Contagion effects, the spill over, positive as well as negative from one country to another casts doubt on the value of assessing a country specific risk analysis.

The main research question of this study was concerned with was what kind of impact the conflict in the Niger Delta has on the political risk in the Gulf of Guinea. In order to investigate this, a series of sub questions were asked.

- *Looking at a number of established risk analysis frameworks: What are the major risk variables and regional important risk variables that can be extracted from these frameworks that will provide insight into regional political risk?*
- *Looking specifically at the general criminality, lawlessness and insecurity, what are the characteristics of the conflict in the Niger Delta?*
- The final sub-question addressed in this research study is: *What is the current political risk of the Gulf of Guinea?*

As the study took the form of a political risk analysis certain variables had to be highlighted. For the purposes of this study the major risk variables and variables that could be useful for regional risk analysis were extrapolated from four risk frameworks. The frameworks that were used were the EIU, BERI, BM, and the ICRG. These frameworks were chosen on the basis of the qualitative pool of variables they represent and in addition, they were easily analysed as the common risk variables are available. Furthermore, they are some of the few examples where the risk frameworks were readily supplied. Many companies do make their frameworks available for fear of losing their competitive advantage in the tough business industry that is political risk.

The variables that were extracted from these four frameworks fell into two pools: those useful for regional political analysis and the major risk variables that most frameworks incorporate.

With the volume of literature on political risk analysis and country risk analysis, there is bound to be areas that overlap and are of a major concern to foreign investors.

As this study did not focus on economical variables only those being political and social in nature were included. After evaluating the four frameworks, six variables falling into the two categories discussed above (major risk variables and regional risk variables), were derived at. The six risk variables were *Political stability/ (lack of) political will/law and order*, *Bad neighbours/dependence on a foreign power/external conflict*, *War, armed insurrections*, *Ethnic/religious and/or politics/radical tensions*, *social conflict, deep ideological cleavages*, *Authoritarianism/undemocratic measures to retain power/ generals in power*, and finally *Religious fundamentalism/radical religious forces/religion in politics*. The first variable *Political stability/ (lack of) political will/law and order* is a combination of a major risk variable and regional risk variable. *Political stability and law and order* is a variable employed by all four frameworks but the *(lack of) political will* variable is found only in the BM. It was included for a regional analysis because if a county is affected by a regional power then unless the neighbouring country has the political will to change the situation for the host country, the political risk will undoubtedly not change. *Bad neighbours/dependence on a foreign power/external conflict* is a major risk viable along with *War, armed insurrections*, *Ethnic/religious and/or politics/radical tensions*, *social conflict, deep ideological cleavages*, *Authoritarianism/undemocratic measures to retain power/ generals in power*, and finally *Religious fundamentalism/radical religious forces/religion in politics*. These variables were chosen because they are considered major risk variables, but are also useful for regional risk analysis.

As this study is primarily a political risk analysis, the variables still needed to be rated. Therefore, for operational purposes these variables were placed or ordered in a risk index. The ratings devised for the variables were low risk, medium risk, high risk, and extreme risk. Each variable was conceptualised under these headings indicating what could be considered low, medium, high or extreme risk.

The next section of this study focused on the current situation in the Niger Delta so as to create a springboard from which the political risk of the area could be determined. It has to be noted that this study was delimited in that only information until June/July 2009 was utilised. The area that this research circumscribes is very volatile, and dramatic changes are an every

day occurrence. Therefore, delimiting this study will make the research more manageable and less sporadic.

The third chapter examined the history of the conflict while also looking at the recent trends. The security situation in the Niger Delta is tense as a result of years of government neglect. What started off as a genuine agitation by the locals was left to become a shooting war with all its attendant consequences. A fairer share of the oil revenue, along with some basic development was asked for, and subsequently evolved from peaceful rallies into an armed insurgency with the youth as the vanguard. Initially, the elders negotiated with the government but the youth, seeing that their methods were failing, decide to form militia groups which have thus far put up an effective resistance against the government and the MNOC's. What is troubling is that the conflict has left the shores of Nigeria and spread into the neighbouring Gulf of Guinea. Various acts of piracy and criminality have been reported in Cameroon, Benin, and Equatorial Guinea. Furthermore, the ineffective navy of the various countries in the region have been unable to clamp down on the attacks. As it stands the Gulf of Guinea is second only to the waters of Somalia as the most dangerous in the world.

The fourth chapter served the purpose of the political risk analysis. Using the risk index created in chapter two, each of the six variables were analysed and rated. As noted, the hypothesis of this thesis is that the Niger Delta severely affects the political risk of the Gulf of Guinea, and as such the variables were applied to the Niger Delta to determine its regional implications of the conflict. Of the six variables *Political stability/ (lack of) political will/law and order*, *Bad neighbours/dependence on a foreign power/external conflict*, *War, armed insurrections*, and *Ethnic/religious and/or politics/radical tensions, social conflict, deep ideological cleavages* were rated as having a high risk. *Authoritarianism/undemocratic measures to retain power/ generals in power*, and finally *religious fundamentalism/radical religious forces/religion in politics* each received a medium rating. A rating system was devised in chapter two, indicating that if any of the variables receive an extreme rating, the overall rating will be extreme, if two or more variables are rated as high the overall political risk will be high, if none of the above are evident then the overall political risk will be compiled by a majority rating. Judging by this definition, the overall risk for the political risk in the Gulf of Guinea is high as four variables are rated as such. The conflict in the Delta has a major impact, not only in Nigeria, but throughout the Gulf of Guinea as well.

This study was historical and analytical in nature. This approach helps the reader understand the historical backdrop of the situation before the analysis of the current situation is explained. As this study took the form of a political risk analysis certain aspects of the research have to be highlighted. Firstly, this research relied on secondary information and as such was at the mercy of personal prejudices of authors and journalists alike. To mitigate this, credible news sources were utilised in the actual risk report. However it has to be noted that in an ideal risk report of this nature first hand information from the ground would have been best and more accurate. This type of information results in a broader spectrum of sources while also allowing one to access information that is not publically available, or that is too new to find in literature. Sadly, this was not possible for this study, however primary data can definitely be a way in which future studies on the area could be undertaken.

The second point which should be highlighted is the relevance of regional risk analysis. Country focused risk analysis is still the preferred means on analysing political risk although usually a section on regional concerns is usually included. Although it is not foreseeable that regional political risk analysis could wholly overtake a country specific risk analysis in the near future, a more intense focus on the region could be expected. A larger section on the regional implications could perhaps become evident as nations slowly become integrated into regions. In some cases a regional risk analysis is however not always viable. In the context of travel risk, a single country would still have to be assessed although outside influences would be taken into consideration. This study simply tried to show yet another side of the ever evolving field of risk analysis. The argument for regional risk analysis is that, especially in modern times, regions have become so integrated that it has taken prominence over the nation state when it comes to assessing risk (Ohmae in Hawkins, 1995:2) Globalisation of markets and the growth of the international portfolio investment have diverted attention away from the narrow *nation* view. In the African context contagion effects from one country to another casts doubt on the value of assessing only a country specific risk analysis. It was perceived in this study that the assessment of the region as a whole with indication of trouble spots would prove invaluable for any investing enterprise. The risk index created in chapter two, was an attempt to create such a working regional risk model on which an effective risk analysis could be conducted. However it relied totally on political and social variables.

After conducting the political risk analysis some insights were arrived at. The six variables (major and regional risk variables) varied in usefulness as far as their utility for a regional political risk was concerned. The variables *political stability/ (lack of) political will/law and order, bad neighbours/dependence on a foreign power/external conflict and war, armed insurrections*, were seemingly the most useful variables in conducting a regional risk analysis. Each of the above three variables had something to add in a regional context and proved very useful when assessing risk on such a scale. *Political stability/ (lack of) political will/law and order* analyses the political stability in a region while also looking at the political will of the governments in power, a vitally important factor. *Bad neighbours/dependence on a foreign power/external conflict and war, armed insurrections*, proved very useful in a regional context as they assessed the level of conflict in the region and/or the negative influences that are evident. However *ethnic/religious and/or politics/radical tensions, social conflict, deep ideological cleavages, authoritarianism/undemocratic measures to retain power/ generals in power, and religious fundamentalism/radical religious forces/religion in politics* could perhaps have been replaced by variables more suited for a regional analysis. Although, after analysing these variables some interesting insights came to light, they did not garner the usefulness that was perceived for them when the variables were being chosen. In future these variables could possibly be replaced by socio-economic ones. Factors such as economic growth, domestic economic strength, literacy and infrastructure could for example replace the latter three variables of this study in so doing creating a more rounded and complete risk analysis. Furthermore, the fact that many of the variables garnered a *high* political risk rating could possibly be indicative of a problem with the conceptualisation of the variables or simply it could simply reflect the current situation. The risk companies utilised in this research (EIU, BERI, ICRG), all assess risk over a time period. As such, it would be prudent to assess the risk in the Gulf of Guinea over a time period to determine whether the risk variables chosen were correctly conceptualised and are in fact useful in a regional context. This repetition will further highlight trends that could in future be managed or mitigated.

As noted the six variables that were extracted from the frameworks are not set in stone, and can be traded for those more useful if need be. The variables included in this study were thought to be relevant to the Niger Delta and the Gulf of Guinea. Should another area of the world be investigated in future the variables could change. This study merely tried to provide

an introduction to a regional political risk analysis, and as such can be built on by future research.

Bibliography

- Adeniyi, S. 2006. This day Lagos (online source), 8 April < <http://www.thisdaylagos.org> > (17 May 2009)
- Agbu, O. 2004. *Ethnic militias and the threat to democracy in post-transition Nigeria. Research report 127*. The Nordic African Institute (own publication).
- Adebanwi, W. 2004. *Violence and the materiality of power: Oodua People's Congress, ritual and the reinvention of culture*. Oxford: University of Oxford, Department of Political Science. Master Thesis.
- African Union. 2009. 'ECOWAS' (online source), 20 October < <http://www.africanunion.org/root/au/recs/ecowas.htm> > (20 October 2009)
- Afrol News. 2009. 'UN appoints new Equatorial Guinea/Gabon conflict mediator' (online source), 10 October < <http://www.afrol.com/articles/30878> > (15 September 2009)
- Alugbo, Ogoh. 2004. 'Citizenship and Nation Making in Nigeria: New Challenges and Contestation' in *Identity, Culture and Politics*. 5(1&2):135-161
- Alon, I and Martin, M A. 1998. 'A normative model of macro political risk assessment' in *Multinational Business Review*. Fall: 10-19
- Amor, D. 2009. 'Nigeria: 'War in Niger Delta-a tragedy foretold' in AllAfrica.com (online source), 12 May < <http://allafrica.com/stories/200905250302.html> > (25 May 2009)
- Ayoob, M. 1995. *The third world security predicament: state making, regional conflict, and international systems*. Colorado. Lynne Reiner Publishers inc.
- Babawale, T. 2002. 'The rise of ethnic militias, de-legitimisation of the state, and the threat to Nigerian federalism' in *West African review*. 3(1): 1-12.
- Baker, J.C. and M.A. Hashimi; 1988: 'Political risk management; steering clear of risky business' in *Risk management*. 198:40-47
- BBC. 2006. 'Nigeria hands Bakassi to Cameroon' (online source), 7 August < <http://news.bbc.co.uk/2/hi/africa/4789647.stm> > (15 September 2009)

- Bergen Risk Solution. 2007. 'Niger Delta maritime security' in *Quarterly review* 1(1) July.
- Brink, C.H. 2004. *Measuring Political Risk: Risks to Foreign Investment*. Aldershot: Ashgate Publishing Limited.
- CIA World Fact Book. 2009. 'Nigeria' (online source), <http://www.cia.com/nigeria> (12 December 2009)
- Corporate Risk International (CRI). 2009. 'Piracy in the Gulf Of Guinea' (online source), www.corprisk.com. (19 June 2009)
- Crawley, V. 2006. 'United States seeks to help improve security in the Gulf of Guinea' in US state department (online source), 10 September <<http://www.america.gov/st/washfile-english/2006/December/20061219101202MVyelwarC0.1016352.html>> (15 September 2009)
- Eisenstein, Z. 2006. 'West beams security focus on Gulf of Guinea oil' in Reuters, 14 September
- Encyclopaedia Britannica. 2009. '*The Gulf of Guinea*' (online source), 15 September <<http://www.britannica.com/EBchecked/topic/248843/Gulf-of-Guinea>> (15 September 2009)
- Eriksen, T.H. 2002. *Ethnicity and nationalism*. London and Sterling, Virginia: Pluto Press.
- Ezigbo, O. Onabu, O, and James, S. 2009. '*Nigeria: Niger Delta bombardment to continue*' in AllAfrica.com (online source), 12 May <<http://allafrica.com/stories/200905250001.html>> (29 May 2009)
- Fitzpatrick, M. 1983. 'The Definition and Assessment of Political Risk Assessment: An Overview' in *Academy of Management Review*. 8(2):249-254.
- Fouche, P, J. 2003. '*A political security risk analysis of Uganda*', Pretoria: University of Pretoria, Department of political science. Master Thesis.
- Freedom House. 2007. '*Nigeria*' (online source), 10 June < <http://www.freedomhouse.org>> (19 June 2009)

- Glickman, H. 1995. *Ethnic Conflict and Democratisation in Africa*. Atlanta GA: African Studies Association Press.
- Green, M. 2009. 'Nigeria aims to knock out delta militants' in BBC (online source), 21 May <<http://www.newscred.com/article/show/title/nigeria-aims-to-knock-out-delta-militants-4a15dd6dbdd90/1560502>> (15 June 2009)
- Hawkins, T. 1996. 'Country risk profiles with specific reference to Southern Africa'. *ISSUP Bulletin*. 4-5.
- Hertz, D and Thomas, H. 1984. *Practical risk analysis: An approach though case history*. Chinchester, John Wiley.
- Hough, M. 2008. 'An Introductory Context of the Methodological, Conceptual, and Theoretical Framework of Risk Analysis' in Adar, K.G, Iroanya, R.O. & Nwonwu, F. (eds). *Towards African-oriented risk analysis models: A contextual and methodological approach*. Pretoria: Africa Institute of South Africa.
- Hough, M, Du Plessis, A and Kruys, G.P.H. 2008. 'Threat and Risk Analysis in the context of strategic forecasting', *ISSUP Ad Hoc Publication*, no 45.
- Howell, L.D. 1998. 'Country and Political Risk Analysis' in L.D. Howell (ed), *The Handbook of Country and Political Risk Analysis*, 2nd ed, New York: PRS Group
- Howell, L.D. and Chadwick, B. 1994. 'Models of political risk for foreign investment and trade. AN assessment of three approaches.' *The Columbia Journal of World Business*. 29(3), fall:90-91
- Human Rights Watch. 2008. 'Nigeria: Niger Delta gang violence goes unpunished'(online source), 26 June < <http://www.hrw.org/en/news/2008/03/20/nigeria-niger-delta-gang-violence-goes-unpunished>> (15 September 2009)
- Ibeanu, O. 2000. 'Oiling the friction: environmental conflict management in the Niger Delta, Nigeria' in *Environmental change and security project report*. Issue 6. summer
- Igwara, O. 2001. 'Dominance and difference: rival visions of ethnicity in Nigeria' in *Ethnic and Racial Studies*, 24(1): 86 – 103.

Ikelegbe, A. 2005. 'The Economy of Conflict in the Oil Rich Niger Delta Region of Nigeria' in *Nordic Journal of African Studies*. 14(2): 208-234.

Ikelegbe, A. 2006. 'Beyond the threshold of civil struggle: Youth militancy and the Militiaisation of the resource conflict of the Niger Delta region of Nigeria' in *African study monograph*. 27(3): 87-122.

International Crisis Group. 2007. 'Nigeria: failing elections failing state?' in *Africa report* 30 May.

International Crisis Group. 2009. 'Nigeria: seizing the moment in the Niger Delta', *Policy briefing*.

Isaacs, D. 2009. 'Islam in Nigeria: Simmering tensions' in BBC (online source), <http://newsvote.bbc.co.uk/mpapps/pagetools/print/news.bbc.co.uk/2/hi/africa/3155279.stm>. (30 December 2009)

James, S. 2009. 'Nigeria: bloodbath in Escravos as JTF launches attack on militant' in This day (online source), 10 June. <http://www.africaontv.com/Members/rebecca/news/nigeria-bloodbath-in-escravos-as-jtf-launches-attack-on-militants-africa-news>> (21 September 2009)

Kobrin, S.J. 1978. 'When does Political Instability Result in Increased Investment Risk?' in *Colombia Journal of World Business*. 17(1).

Lewis, D. 2009. 'Pirates gangs fuel civil war woes', in Reuters (online source), 15 April. <<http://www.analysis-Pirates, gangs fuel Gulf of Guinea woes Reuters.mht>> (05 March 2009).

Lhuillery, J. 2009. 'Nigeria's oil output falls' in News24 (online source), 20 June <<http://www.mg.co.za/article/2009-07-26-nigeria-struggles-as-oil-output-falls>> (21 June 2009)

Mane, D.O. 2005. 'Emergence of Gulf of Guinea in the global economy: prospects and challenges' in *International Monetary Fund working paper* 05/235. December

- Mbachu, D. 2008. 'Nigeria: tensions over Bakassi peninsula' in BBC (online source), 10 June
 <<http://www.isn.ethz.ch/isn/Current-Affairs/Security-Watch/Detail/?ots591=4888CAA0-B3DB-1461-98B9-E20E7B9C13D4&lng=en&id=88601>> (15 September 2009)
- Micallef, J.V. 1981. 'Political risk assessment' in *The Columbia Journal of World Business*. Summer.
- Murray, S. 2006. 'Fears over Nigeria emergency rule' in BBC (Online source), 10 June
 <<http://news.bbc.uk/2/hi/africa.6065706.stm>> (5 May 2009)
- Moncrieff, R. 2009. 'Niger Delta Fumble', in Wall Street journal in International Crisis Group (online source), 14 July
 <<http://online.wsj.com/article/SB124457823935199275.html>> (12 May 2009)
- Nnoli, O. 1980. *Ethnic Politics in Nigeria*. Enugu: Fourth Dimension Publishers.
- Obi, C. 2001, Global, state, and local intersections: power, authority, and conflict in the Niger Delta oil communities, in T. Callaghy, R. Kassimir & R. Latham, eds, *Intervention and transnationalism in Africa: Global-local networks of power*. Cambridge University.
- Obi, C. 2008. *Nigerians Niger Delta, understanding the complex drivers of conflict*: lecture series on African Security hosted by The Nordic Africa institute and the Swedish Defence Research Agency (FOI).
- Osaghae, E., 1995, *Structural Adjustment and Ethnicity in Nigeria*, Uppsala, Nordiska Afrikaninstitutet.
- Overseas Security Advisory Council. 2009. 'Equatorial Guinea'. (Online source),
 <[http://www.osac/Equatorial Guinea/2009/crimeandsafetyreport.mht](http://www.osac/Equatorial%20Guinea/2009/crimeandsafetyreport.mht)> (22 May 2009)
- Overseas Security Advisory Council. 2009. 'Benin' (Online source),:
 <<http://www.osac/Benin/2009/crimeandsafetyreport.mht>> (22 May 2009)
- Overseas Security Advisory Council. 2009. 'Cameroon' (Online source),
 <<http://www.osac/Cameroon/2009/crimeandsafetyreport.mht>> (22 May 2009)
- Overholt, W. H. 1982. *Political risk*. London, Euromoney publication.

- Oyefusi, A. 2007. 'oil dependence and civil conflict in Nigeria'. University of Benin, Nigeria.
CSAE WPS/2007-2009
- Oxford online dictionary. 2009. 'Militias'.(online source),
<<http://www.oxfordlanguage.com/results.asp.militias>> (20 May 2009)
- Perry-Castaneda, P. 2009. Nigeria-map of. University of Texas. (online source),
<http://lib.utexas.edu/maps/nigeria.html>. (28 November 2009)
- Perry- Castaneda, P. 2009. Africa-map of. University of Texas. (online source),
<http://lib.utexas.edu/maps/africa.html> (28 November 2009)
- Reynolds, P. 2004. 'Oil and conflict- a natural mix' in BBC (online source), 10 June
<<http://news.bbc.co.uk/go/pr/fr-i/hi/world/3625207>> (12 May 2009).
- Sandve, O. 2008. *Ethnic militias in Nigeria and their impact on democratic consolidation*.
Stellenbosch: Stellenbosch University, Department of Political Science. Master thesis
- Sesay, A., Ukeje, C., Aina, O. and Odebiyi, A. 2003. *Ethnic Militias and the Future of Democracy in Nigeria* , Ile-Ife: Obafemi Awolowo University Press.
- Simon, J.D. 1982. 'Political Risk Assessment: Past Trends Future Prospects' in *Colombia Journal of Foreign Business*. 17(1).
- Smith, Z, K, 2000. ' The Impact of Political liberalisation and democratisation on ethnic conflict in Africa: An Empirical test of Common assumptions' in *Journal of Modern African Studies*. 38(1).
- Strategic Forecasting. 2007. *Nigeria: the splintering of MEND*. Stratfor terrorism brief
(online source) < www.stratfor.com> (12 May 2009)
- Stuijt, D.2009. 'Nigerian oil war to secure oil hots up' (online source). 19 June
<<http://censorbugbear-reports.blogspot.com/2009/05/nigerian-army-frees-pirated-oil-tanker.html>> (21 August 2009)
- Stuijt, D. 2009. 'Oil rich Nigeria will become Islamic soon, warn Dutch MPs'(online source),
19 June <<http://www.digitaljournal.com/article/269323>> (21 August 2009)

- Ukiwo, U. 2007. From 'pirates' to 'militants': A historical perspective on Anti-state and anti-oil company mobilisation among the Ijaw of Warri, Western Niger Delta in *African Affairs*, 106(425): 587–610.
- Ukiwo, U. 2009. *Causes and cures of oil related Niger Delta conflicts*. Nordic African Institute and Centre for Research and Documentation.
- US State Department, 2008. 'Background Note: Nigeria'. (online source).: <<http://www.state.gov/r/pa/ei/bgn/2962.htm>> (10 May/2009)
- US State Department, 2008. 'Background Note: Cameroon'. (online source). <<http://www.state.gov/r/pa/ei/bgn/26431.htm>> (10 May 2009).
- US State Department, 2008. 'Background Note: Benin'. (online source) <<http://www.state.gov/r/pa/ei/bgn/6761.htm>> (10 May 2009).
- US State Department, 2008. 'Background Note: Equatorial Guinea'. (online source) <<http://www.state.gov/r/pa/ei/bgn/7221.htm>> (10 May 2009).
- Venter, A. 1999. The 1998 fall of Suharto: A vindication of key political risk indicators? in *Strategic Review of Southern Africa*. 21(2): 73-99
- Vertberger, Y. Y. I. 1998. *Risk Taking and Decision-Making: Foreign Military Intervention Decisions*. Stanford: Oxford University Press.
- Walker, A. 2009. 'Thousands flee Niger delta fighting' in BBC(online source), 10 June <<http://news.bbc.co.uk/2/hi/africa/8062315.stm>> (15 June 2009)
- Valsamakis, A.C. Vivian, R.W, and Du Toit, G.S. 1999. *Risk management*. Second edition Heineman.

Appendix A: The complete Brink model including the list of variables and indicators

(Brink, 2004:121-146)

Political risk variables: political

Pr1-Political system (50) Rate only one indicator

- Autocratic single party system (Rate between 0 and 50)
- Democratic multi-party system (Rate between 0 and 20)
- One-party dominant democratic system (Rate between 0 and 30)
- Regulated democratic multi-party system (Rate between 0 and 30)
- Dictatorship in a non-party system (Rate between 0 and 50)
- Socialist central or transitional planning system (Rate between 0 and 40)

Pr2-Separation of powers (150) Rate all the indicators

- Degree of autonomy and independence of legislative, executive and judicial powers (High degree, rate between 0 and 10; moderate degree, rate between 11 and 30; low degree, rate between 31 and 50)
- Degree to which legislature, executive and judiciary check and balance powers (High degree, rate between 0 and 10; moderate degree, rate between 11 and > 30; low degree, rate between 31 and 50)
- Trend of development of an over-powerful executive (Negative trend, rate between 0 and 10;- possibility, rate between 11 and 30; positive trend, rate between 31 and 50)

Pr3-Openness of political system (250) Rate all the indicators

- Competitiveness of political system (Very open and competitive, rate between 0 and 10; possibility for competition, rate between 11 and 30; closed political system, rate between 31 and 50)
- Competing elites and interest groups can determine public policy through bargaining and compromise (Yes, rate between 0 and 25; no, rate between 26 and 50)
- Public accessibility regarding inputs (Very accessible, rate between 0 and 10; conditional, rate between 11 and 30; no access, rate between 31 and 50)
- Responsiveness, and responsibility of government (High degree, rate between 0 and 10; moderate, rate between 11 and 30; low, rate between 31 and 50)
- Transparency of decision making process and policy environment (Very, rate between 0 and 10; hardly, rate between 11 and 30; not at all, rate between 31 and 50)

Pr4-Public accountability of government (150) Rate all the indicators

- Strength of public protector, auditor general, transparency level (*Very strong; rate between 0 and 10; conditional power, rate between 11 and 30; none, rate between 31 and 50*)
- Degree of functioning oversight mechanisms (*Highly functional, rate between 0 and 10; conditional, rate between 11 and 30; useless, rate between 31 and 50*)
- Separation of private and public spheres (*High degree of separation, rate between 0 and 10; conditional, rate between 11 and 30; low degree, rate between 31 and 50*)

Pr5-Economic planning issues (100) Rate all the indicators

- Success or failure in meeting economic targets and deadlines promised by the political leadership (*Extreme failure, rate 50; complete success, rate 0*)
- Instances of misleading economic planning and policies (*Infrequent, rate between 0 and 25; frequent, rate between 26 and 50*)

Pr6-Form of government (50) Rate only one indicator

- If previous government was toppled by a military coup (*Rate between 0 and 50*)
- If a state of emergency results in interim government (*Rate between 0 and 30*)
- If a political system is undergoing transformation toward a multi-party government, or if multi-party elections are pending (*Rate between 0 and 50*) . Stable government (*Rate between 0 and 10*)

Pr7-Racial, ethnic, religious, nationality, language issues (150) Rate relevant indicators .

- If collective groupings (liberation movements) hedge against the political system (*Rate between 41 and 50*)

- No legitimacy for government (*Rate between 31 and 40*)
- Sudden changes in political party allegiances and/or alliances (*Rate between 11 and 20*)
- Occurrences of racially or ethnically motivated violence in past six months (*Rate between 21 and 30*)
- If none of the above prevail (*Rate between 0 and 10*)

Pr8-Border disputes/external conflict and international relations (110) Rate relevant indicators

- If a dispute is initiated in order to divert attention away from domestic economic problems (*Rate between 0 and 50*)
- Border disputes (land/sea/lake/river) or economic exploitation in disputed areas (*Rate between 0 and 30*)
- Long standing claims to historic territory contribute to domestic or international disputes or conflict (*Rate between 0 and 20*)
- If none of the above prevail (*Rate between 0 and 10*)

Pr9-Political terrorism (1 IQ) (In past six months - rate relevant indicators)

- Intensity of terrorist activity in past six months (*If high, rate between 31 and 50; if moderate, rate between 21 and 30; if low, rate between 0 and 20*)
- Government expenditure on terrorist defence (*Very high, rate between 31 and 50; moderate, rate between 21 and 30; low, rate between 0 and 20*)
- If such activity does not prevail (*Rate between 0 and 10*)

Pr10-Role of the military (250) Rate relevant indicators

- Past history of military unrest or mutiny (*Rate between 0 and 50*)
- Threat of military take-over if severe economic deterioration prevails (*Rate between 0 and 40*)
- If the military command stages a coup due to immobility in military ranks or an absence of benefits or remuneration (*Rate between 0 and 30*)
- Acts of unwarranted military prestige (*Rate between 0 and 20*)
- Little offensive military capability or intention (*Rate between 0 and 10*)
- Level of military involvement in government (*High, rate between 26 and 50; low, rate between 0 and 25*)
- Mobilization of military in order to enforce executive will (*Rate between 0 (benign) and 50 (malign)*)

Pr 11-Legitimacy issues (240) Rate relevant indicators

- If there is a lack of homogenous national identity (*Rate between 0 and 30*)
- If there is a lack of distribution of resources (*Rate between 0 and 50*)
- If there is a lack of public participation (*Rate between 0 and 50*)
- If there is a lack of policy enforcement (penetration) (*Rate between 0 and 40*)
- If uncontrolled and rapid urbanization overtakes government functions (*Very debilitating, rate between 31 and 50, less debilitating, rate between 0 and 29*)
- If the political system is open and competitive (*Rate between 0 and 20*)

Pr12-Government behaviour (300) Rate all the indicators

- Degree of accountability of government (*More accountable, rate between 0 and 25; less accountable, rate between 26 and 50*)
- Degree to which limited or constitutional governance is practiced (*Unconstitutional, rate between 30 and 50; constitutional, rate between 0 and 29*)
- Degree of transparency of policy environment (*More transparent, rate between 0 and 20; less transparent, rate between 21 and 50*)
- Degree of responsiveness (*More responsive, rate between 0 and 25; less responsive, rate between 26 and 50*)
- Degree to which responsible governance is practiced (*More responsible, rate between 0 and 25; less responsible, rate between 26 and 50*)
- Level of government intervention into private sphere (*High level of intervention, rate between 26 and 50; low level of intervention, rate between 0 and 25*)

Pr 13-Consequences of social revolution (150) Rate relevant indicators

- If a regime is threatened due to societal will (*If result is expected to be positive, rate between 0 and 20; if inconsequential, rate between 0 and 30; if negative, rate between 31 and 50*)
- A social revolution will alter the prospects of domestic and foreign investors (*Advantageously, rate between 0 and 20; inconsequential, rate between 0 and 30; disadvantageously, rate between 31 and 50*)
- Post-revolutionary society is altered ideologically (*Positively, rate between 0 and 20; inconsequential,*

rate between 0 and 30; negatively, rate between 31 and 50)

Pr14-Political (in)stability (250) Rate relevant indicators

- Implication of major political events, i.e. surrounding elections or scandals (*Positive, rate between 0 and 25; negative, rate between 26 and 50*)
- State of flux or political (dis)equilibrium (*Stable, rate between 0 and 25; unstable, rate between 26 and 50*)
- Unforeseen shifts in government policy (*No, rate between 0 and 25; negative, rate between 26 and 50*)
- Unforeseen shifts in government's execution of power (*Positive, rate between 0 and 25; yes, rate between 16 and 50*)
- Governmental constraints on profit-taking (*None, rate between 0 and 25; some, rate between 26 and 50*)

Pr 15-Civil War (200) Rate relevant indicators

- If domestic conflict within the boundaries of a country involves combatant civilians (*Rate between 0 and 50*)
- If civilians of different ethnic or religious origins are at war (*Rate between 0 and 50*)
- If civilians are at war for historic territory or autonomy (*Rate between 0 and 50*)
- Incidence of internal civil strife (*Low incidence, rate between 0 and 25; high incidence, rate between 26 and 50*)

Pr 16-State of emergency (220) In last 18 months - rate relevant indicators

- If a state of emergency is expected or has been announced (*Rate between 0 and 30*)
- If a country has a history of emergency situations (*No, rate between 0 and 25; yes~ rate between 26 and 50*)
- If declaring a state of emergency implies a political clampdown (*Rate between 0 and 40*)
- If a state of emergency is declared as a last resort to end long-standing instability (*Rate between 41 and 50*)
- If a state of emergency is the result of a "failed state" (*Rate between 0 and 50*)

Pr17-Economic expectations vs. reality (80) Rate both indicators

- Government success rate in fulfilling promises (*High, rate between 0 and 20; low, rate between 21 and 40*)
- Incidence of unrest due to unfulfilled economic expectations (*Low, rate between 0 and 20; high, rate between 21 and 40*)

Pr18-Leadership succession issues (270) Rate relevant indicators

- A country has a history of authoritarian political structure (*Rate between 0 and 40*)
- A leadership vacuum is anticipated (*Rate between 0 and 40*)
- If a national social identity crisis occurs as a result of leadership succession (*Rate between 10 and 30*)
- If political civil unrest is a result of leadership succession (*Rate between 0 and 40*)
- Public scandals forces leadership succession (*Positive change, rate between 0 and 20; negative implications, rate between 21 and 40*)
- Expected re-election or smooth transition (*Rate between 0 and 40*)
- Successor to executive familiar and gradually introduced (*Yes, rate between 0 and 20; no, rate between 21 and 40*)

Pr19-Military in politics (120) Rate relevant indicators

- Government is under military control/influence (*Rate between 0 and 40*)
- If political leadership habitually wear uniform in public (*Rate between 0 and 40*)
- Definition, setting of and adherence to military boundaries/limitations (*Well-defined and maintained, rate between 0 and 20; ill-defined and ill-maintained, rate between 21 and 40*)

Pr20-Erosion of domestic support for the regime (80) Rate all indicators

- Level of economic and social deterioration (*Low levels, rate between 0 and 20; high levels, rate between 21 and 40*)
- An erosion of popular trust and confidence in government (*High levels of confidence, rate between 0 and 20; low levels of confidence, rate between 21 and 40*)

Pr21-Unconstitutional change of government (40) In past five years - rate one indicator

- One violent change of government has occurred (*Rate between 0 and 30*)
- More than one violent change of government has occurred (*Rate between 0 and 40*)

- If peaceful, yet unconstitutional change of government has occurred (*Rate between 0 and 20*)
- No unconstitutional changes have taken place (*Rate between 0 and 10*)

Pr22-Ideology as a political factor (80) Rate both indicators

- Degree of influence of secular ideology on government policies (*Low, rate between 0 and 20; high, rate between 21 and 40*)
- Anti-systemic government policies prevail (*No, rate between 0 and 20; yes, rate between 21 and 40*)

Pr23-Organised religion in politics (80) Rate both indicators

- Degree to which religion is a factor in government policy (*High, rate between 21 and 40; low, rate between 0 and 20*)
- Anti-systemic government policies prevail (*No, rate between 0 and 20; yes, rate between 21 and 40*)

Pr24-Demographics, tradition and parochialism (360) Rate relevant indicators

- Do social problems pose a challenge to the viability of government (*No, rate between 0 and 20; inconsequential, rate between 0 and 30; yes, rate between 31 and 40*)
- If parochial values and structural elements in government contrast negatively with modern ideas and institutions in society (*Rate between 0 and 30*)
- Level of conflict of central government with modern elements of society (*Rate between 0 and 40*)
- Level of conflict of central government with traditional elements of society (*Rate between 0 and 40*)
- If clashes between tradition and modernity in society lead to incidents of violence (*Low incidence, rate between 0 and 20; high incidence, rate between 21 and 40*)
- Is urbanization controlled (*Yes, rate between 0 and 20; no, rate between 21 and 40*)
- Does urbanization place a burden on the state system to provide social needs (*No, rate between 0 and 20; yes, rate between 21 and 40*)
- Can institutional and physical infrastructure handle rapid urbanization (*Yes, rate between 0 and 20; no, rate between 21 and 40*)
- A destabilizing dense urban population (*Rate between 0 and 40*)
- If demographics and traditional parochialism either do not occur, or are not destabilizing (*Rate between 0 and 10*)

Pr25-Corruption/nepotism in government and rent-seeking (100) Rate all indicators

- If corruption exceeds the bounds of domestic and/or international acceptance (*Rate between 0 and 40*)
- Companies have to budget for, or offer bribes (*Rate between 0 and 40*)
- Ranking on corruption perception indices (*Low, rate between 0 and 9; high, rate between 10 and 20*)

Pr26-Law tradition (110) Rate relevant indicators

- A tradition of order and the rule of law prevails (*Rate between 0 and 20*)
- A culture of lawlessness exists (*Rate between 0 and 40*)
- Level and quality of protection of investments under the sovereign law of a host country (*High, rate between 0 and 20; low, rate between 21 and 40*)
- Government enforces and upholds order and stability (*Rate between 0 and 10*)

Pr27-Status of the media (130) Rate all indicators

- Public access to international media broadcasts are controlled (*No, rate between 0 and 15; yes, rate between 16 and 30*)
- Persecution of journalists for criticizing government prevails (*No, rate between 0 and 15; yes, rate between 16 and 30*)
- Level of institutionalized media censorship (*Low, rate between 0 and 15; high, rate between 16 and 30*)
- Level of voluntary self-censorship by media (*Low, rate between 0 and 15; high, rate between 16 and 30*)
- Media freedom uninhibited (*Rate between 0 and 10*)

Pr28-Human rights record (65) Rate relevant indicators

- Signatory and enforcement of human rights conventions and accords (*Yes, rate between 0 and 15; no, rate between 16 and 30*)
- Basic human rights are denied due to racial, ethnic, political or traditional affiliations (*Rate between 0 and 30*)
- Basic human rights are upheld or enshrined in a constitution or Basic Law (*Rate between 0 and 5*)

Pr29-Quality of the bureaucracy (120) Rate all indicators

- Are government functions efficient and timely (*Yes, rate between 0 and 15; no, rate between 16 and 30*)

- Is internal communication functional (*Yes, rate between 0 and 15; no, rate between 16 and 30*)
- Does government misappropriate funds to the peril of public services (*No, rate between 0 and 15; yes, rate between 16 and 30*)
- Are competencies and abilities/professionalism of civil servants questionable and/or of low levels (*No, rate between 0 and 15; yes, rate between 16 and 30*)

Pr30-(Lack of) Political Will (65) Rate relevant indicators

- Extent to which public officials are career civil servants (*More, rate between 0 and 5; lesser, rate between 6 and 10*)
- Extent to which public officials are not in office for self-enrichment (*More, rate between 0 and 5; lesser, rate between 6 and 10*)
- Policy is designed and enforced in the best interest of the public (*Rate between 0 and 15*)
- Degree of political will (*High, rate between 0 and 15; low, rate between 16 and 30*)

Pr31-Involvement in international organizations (30)

- Member state of among others the United Nations, World Trade Organization, World Tourism Organization, International Telecommunications Satellite Organization, European Union, Organization of Petroleum Exporting Countries, SADC, African Union, SACU, ASEAN, NAFTA, NEPAD, etc. (*Active member, rate between 0 and 15; non-active member, rate between 16 and 30*)

Pr32-Domestic openness (120) Rate all the indicators

- Perception of domestic transparency (*High, rate between 0 and 10; low, rate between 11 and 20*)
- Modern legal frameworks (*If followed as such, rate between 0 and 10; if not, rate between 11 and 20*)
- Adherence to International Law (*If adhered to, rate between 0 and 10; if not, rate between 11 and 20*)
 - Steps to eliminate the perception of corruption (*If such steps in place and effective, rate between 0 and 10; if such steps in place but ineffective, rate between 11 and 20; if no attempt to eliminate or curb corruption, rate between 21 and 30*)
- Building of strong modern institutions founded in stable political institutions (*If in place, rate between 0 and 10; if signs of development, rate between 11 and 20; if lacking, rate between 21 and 30*)

Pr33-Geographic position and geopolitics (130) Rate all the indicators

- Geopolitics (*If host country is in a favourable geopolitical position, rate between 0 and 10; if host country is in a vulnerable but manageable geopolitical position, rate between 11 and 20; if host country is in vulnerable and unmanageable geopolitical position, rate between 21 and 30*)
- Systemic status-rank (*If sustainably high, rate between 0 and 10; if climbing, rate between 11 and 20; if dropping, rate between 21 and 30; if very low, rate between 31 and 40*)
- Position in systemic conflict (*If not involved in such conflict, rate between 0 and 10, if a mediating force in systemic conflict, rate between 11 and 20; if direct party to such conflict, rate between 21 and 30*)
- Regional vulnerability (*Low degree of regional vulnerability, rate between 0 and 15; high degree of rate between 16 and 30*)

Pr34-Contract repudiation by government (210) Rate all indicators

- Cancellation of operating licenses (*No such instances, rate between 0 and 10; infrequent and selective instances, rate between 11 and 20; frequent and unexpected instances of cancellations, rate between 21 and 30*)
- Cancellation of import and/or export licenses (*No such instances, rate between 0 and 10; infrequent and selective instances, rate between 11 and 20; frequent and unexpected instances, rate between 21 and 30*)
- Cancellation of concession agreements (*No instances, rate between 0 and 10; infrequent and selective instances, rate between 11 and 20; frequent and unexpected instances, rate between 21 and 30*)
- Restrictions on remittances (*No restrictions, rate between 0 and 10; varying degrees, rate between 11 and 20; high degree, rate between 21 and 30*)
- Retraction of business licenses (*No past retractions, rate between 0 and 10; event-related past retractions, rate between 11 and 20; frequent and unmotivated retractions, rate between 21 and 30*)
- Government adherence to a lawful purchasing agreement (*Lawful compliance, rate between 0 and 15; failure to comply, rate between 16 and 30*)
- Creeping expropriation (*Few instances, rate between 0 and 15; many instances, rate between 16 and 30*)
- *Pr35-Selective Discrimination (210) In past 18 months - rate all indicators*

- Ability to import the necessary equipment (*Investor able to import, rate between 0 and 10; imports negotiable, rate between 11 and 20; inability to import necessary equipment due to government restrictions rate between 21 and 30*)
- Ability to export (extracted minerals) (*Investor able to export, rate between 0 and 10; exporting negotiable, rate between 11 and 20; inability to export necessary equipment due to government restrictions rate between 21 and 30*)
- Degree of financial deficiency (*Government restrictions do not lead to financial deficiency*)
- Degree of financial deficiency (*Government restrictions do not lead to financial deficiency of investment, rate between 0 and 15; restrictions lead to high levels of deficiency, rate between 16 and 30*)
- Degree of financial deficiency (*Government restrictions do not lead to financial deficiency of investment, rate between 0 and 15; restrictions lead to high levels of deficiency, rate between 16 and 30*)
- Forced abandonment (*No forced abandonment of investments in the past, rate between 0 and 10; trend of forced abandonment subsided, rate between 11 and 20; forced abandonment eminent or current, rate between 21 and 30*)
- Forced divestiture (*No forced divestiture of investments in the past, rate between 0 and 10; trend subsided, rate between 11 and 20; eminent or current, rate between 21 and 30*)
- Deprivation of mobile assets in past eighteen months (*None in the past, rate between 0 and 10; trend subsided, rate between 11 and 20; forced- divestiture eminent or current, rate between 21 and 30*)
- Intellectual property rights disputes (*None in the past, rate between 0 and 10; possibility of flare-up, rate between 11 and 20; disputes lead to divestiture, rate between 21 and 30*)

Pr36-Political violence (240) In past 18 months - rate all indicators

- Revolutionary uprising (*None in the past, rate between 0 and 10; active and mobile revolutionary press or civil society keeps government in check, rate between 11 and 20; past trend of uprising as frequent reactionary force, rate between 21 and 30*)
- Rebellion (*None in the past, rate between 0 and 10; rebellion can lead to change in government, rate between 11 and 20; past trend of rebellion, rate between 21 and 30*)
- Insurrection (*None in the past, rate between 0 and 10; can lead to change in government, rate between 11 and 20; past trend of insurrection, rate between 21 and 30*)
- Hostile acts (*None in the past, rate between 0 and 10; can lead to policy changes, rate between 11 and 20; high frequency of hostile acts, rate between 21 and 30*)
- Enforcement of belligerent power (*State does not practice coercive governance, rate between 0 and 10; government threatens with but does not revert to state-violence, rate between 11 and 20; state-violence used against citizenry is political in nature, rate between 21 and 30*)
- Instances of terrorism (*None in the past, rate between 0 and 10; led to policy changes in government, rate between 11 and 20; high frequency of terrorist acts without responsibility taken, rate between 21 and 30*)
- Instances of mobilism and riots (*Civil commotion is organized, expected and within acceptable levels, rate between 0 and 10; commotion is volatile and instant, rate between 11 and 20; erupts into violence, rate between 21 and 30*)
- Instances of malicious damage and looting (*None, rate between 0 and 10; few instances, rate between 11 and 20, many focused on the presence of foreign businesses or MNCs, rate between 21 and 30*)

Pr37-Elections (260) Rate all indicators

- High voter turnout (*If high due to civil duty and participation, rate between 0 and 10; if due to intimidation, rate between 11 and 20*)
- Low voter turnout (*If low due to complacency, rate between 0 and 15; if due to lack of organization or due to rigging, rate between 16 and 30*)
- Election laws (*Internationally comparable and constitutional, rate between 0 and 10; election laws questionable, rate between 11 and 20; not adhered to or do not exist, rate between 21 and 30*)
- Internationally compliant (*Elections compliant with international standards, rate between 0 and 15; not compliant, rate between 16 and 30*)
- Open for scrutiny (*Monitors and observers allowed into the host country if necessary, rate between 0 and 15; sanctioned or not allowed at all, rate between 16 and 30*)
- Intimidation and violence (*No reports, rate between 0 and 15; frequent reports, rate between 16 and 30*)
- Irregularities (tampering, vote counting) (*No suspected irregularities, rate between 0 and 10; suspected, rate between 11 and 20; proven, rate between 21 and 30*)
- Media (*Total media freedom in election coverage, rate between 0 and 10; sanctioned, rate between 11 and 20; press intimidated, harassed and prevented from covering election, rate between 21 and 30*)
- International acceptance of result (*If accepted, rate between 0 and 10; if accepted with reservations, rate between 11 and 20; if unaccepted, rate between 21 and 30*)

Political Risk Factors: Economic

Er1-Degree of liberalization (120) Rate all risk factors

- Liberal investment, ownership and sectoral codes; incentives, floating foreign exchange rate (*Yes, rate between 0 and 20; no, rate between 21 and 40*)
- Are imports kept in line with exports, is trade regime liberal (*Positive, rate between 0 and 20; negative, rate between 21 and 40*)
- Central bank only intervenes to stabilize foreign exchange rates (*Yes, rate between 0 and 20; no, rate between 21 and 40*)

Er2-Confiscation/expropriation (80) In past five - rate both indicators

- Country has a past record of confiscating foreign-owned enterprises (*No, rate between 0 and 20; yes, rate between 21 and 40*)
- Ideas of nationalism flare up periodically and pose a threat to foreign-owned enterprises (*No, rate between 0 and 20; yes, rate between 21 and 40*)

Er3-Quality and nature of labour force (280) Rate all indicators

- There is a shortage of skilled labour (*No, rate between 0 and 20; yes, rate between 21 and 40*)
- Policies concerning the employment of expatriate (foreign) personnel are acceptable (*Yes, rate between 0 and 20; no, rate between 21 and 40*)
- Labour is an organized and influential political force (*Less influential, rate between 0 and 20; highly influential, rate between 21 and 40*)
- Degree of corporatism (*High degree, rate between 21 and 40; low degree, rate between 0 and 20*)
- Impact of split in government, labour and/or civil society alliance (*High and consequential, rate between 21 and 40; low and inconsequential, rate between 0 and 20*)
- Degree of militancy and mobility of organized labour (*Low, rate between 0 and 20; high, rate between 21 and 40*)
- Degree to which labour legislation is liberal (*High, rate between 0 and 20; low, rate between 21 and 40*)

Er4-Domestic economic strength (120) Rate all indicators

- Size of average disposable income (*Large, rate between 0 and 10; average, rate between 11 and 20; small, rate between 21 and 40*)
- Inflation rate hikes correspond to wage increases (*Yes, rate between 0 and 20; no, rate between 21 and 40*)
- Trends in consumerism (*Decline, rate between 21 and 40; rise, rate between 0 and 20*)

Er5-Repatriation of profits (160) Rate all indicators

- Process of transferring profits out of the host country (*Easy, rate between 0 and 20; difficult, rate between 21 and 40*)
- Degree of convertibility of local currency (*High, rate between 0 and 20; low, rate between 21 and 40*)
- Repatriation of profits guaranteed in investment code(s) incentives (*Not secure nor guaranteed, rate between 21 and 40; conditional, rate between 20 and 30; guaranteed and possible, rate between 0 and 20*)
- Are alternatives to restrictions on repatriation viable or not (*Viable, rate between 0 and 20; not viable, rate between 21 and 40*)

Er6-Foreign ownership stake (160) Rate all the indicators

- Can investors' stake in an enterprise be larger than 50% (*Yes, rate between 0 and 20; no, rate between 21 and 40*)
- Is less control acceptable in the hope of getting quick approval from the authorities (*Not necessary, rate between 0 and 20; yes, rate between 21 and 40*)
- Can local partners delay approval of business plans of foreign partners (*No, rate between 0 and 20; yes, rate between 21 and 40*)
- Allowance of and guarantee under international arbitration agreements (*Yes, rate between 0 and 20; no, rate between 21 and 40*)

Er7-Privatisation (160) Rate all indicators

- Host country favours monopolies and state enterprises/parastatals over private enterprises (*No, rate*

between 0 and 20; yes, rate between 21 and 40)

- "Large" private sector is protected by tariff barriers, monopolies or government contracts (*No, rate between 0 and 20; yes, rate between 21 and 40)*
- Private sector rather serves as routing channel for uncontrolled foreign exchange outflows (*No, rate between 0 and 20; yes, rate between 21 and 40)*
- Previously nationally owned enterprises have been privatized to improve service (*Yes, rate between 0 and 20; no, rate between 21 and 40)*

Er8-GDP (200) Rate all indicators

- A declining GDP would result in subsequent social intolerance of government (*No, rate between 0 and 20; yes, rate between 21 and 40)*
- Relative value of goods and services is acceptable (*Yes, rate between 0 and 20; no, rate between 21 and 40)*
- Expenditure to produce goods and services is at an acceptable level (*Yes, rate between 0 and 20; no, rate between 21 and 40)*
- Income received from producing goods and services is at an acceptable level (*Yes, rate between 0 and 20; no, rate between 21 and 40)*
- Level of general and secondary economic activity (*High, rate between 0 and 20; moderate, rate between 21 and 30; low, rate between 31 and 40)*

Er9-Nationalisation of key industries/sectors (200) Rate all indicators

- Tendency toward nationalization (*Low and infrequent, rate between 0 and 20; high and frequent, rate between 21 and 40)*
- State-owned enterprises are monopolistic, protected from competition, and inefficient (*No, rate between 0 and 20; yes, rate between 21 and 40)*
- State-owned enterprises are politicized, run and staffed by government supporters or retired military personnel (*No, rate between 0 and 20; yes, rate between 21 and 40)*
- State-owned enterprises are export-oriented and competitive (*Yes, rate between 0 and 20; no, rate between 21 and 40)*
- Are state-owned enterprises geared for positive expansion and development (*Yes, rate between 0 and 20; no, rate between 21 and 40)*

Er10-Losses from exchange controls (110) Rate relevant indicators

- If currency conversion crises prevail (*Rate between 0 and 40)*
- Central Bank manages to stabilize domestic currency against international exchange rates (*Rate between 0 and 20)*
- Fixed exchange rate prevails under high inflation (*Rate between 0 and 30)*
- Currency depreciation (*Anticipated and controlled, rate between 0 and 20; uncontrollable and rapid, rate between 21 and 40)*

Er11-Degree of protectionism (240) Rate all indicators

- Private enterprise is overly protected by tariffs (*No, rate between 0 and 20; yes, rate between 21 and 40)*
- Monopolies are protected from competition (*No, rate between 0 and 20; yes, rate between 21 and 40)*
- Non-tariff barriers hedge against competition (*No, rate between 0 and 20; yes, rate between 21 and 40)*
- Government contracts are the primary income of an industry (*No, rate between 0 and 20; yes, rate between 21 and 40)*
- Import substitution is subsidized (*No, rate between 0 and 20; yes, rate between 21 and 40)*
- Quotas, licensing or bureaucratic delays hedge against foreign investment (*No, rate between 0 and 20; yes, rate between 21 and 40)*

Er12-Role of organized labour (160) Rate all indicators

- Implications of organization and mobility of labour (*No consequence, rate between 0 and 10; some consequence, rate between 11 and 20; serious consequence, rate between 21 and 30; extremely serious consequences, rate between 31 and 40)*
- Membership of a labour organization is compulsory (*No, rate between 0 and 20; yes, rate between 21 and 40)*
- Willingness of labour to negotiate rationally with management (*Willing, rate between 0 and 20; unwilling, rate between 21 and 40)*
- Confrontation between rival labour organizations is reason for incidents of violence (*No, rate between 0 and 20; yes, rate between 21 and 40)*

and 20; yes, rate between 21 and 40)

Er13-Competitiveness (240) Rate all indicators

- Degree of export-led orientation followed in the economy (*High, rate between 0 and 20; low, rate between 21 and 40*)
- Import substitution resulted in subsequent exports (*Yes, rate between 0 and 20; no, rate between 21 and 40*)
- Is there a large number of domestic buyers and sellers of products produced locally (*Yes, rate between 0 and 20; no, rate between 21 and 40*)
- Degree of interventionist measures practiced domestically by government (*Low, rate between 0 and 20; high, rate between 21 and 40*)
- Degree of mobility of domestic factors of production (*High, rate between 0 and 20; low, rate between 21 and 40*)
- Buyers and sellers are free to enter and leave the domestic market (*Yes, rate between 0 and 20; no, rate between 21 and 40*)

Er14-Level of government intervention (320) Rate all indicators

- Government economic planning is centralized (*Marginally, rate between 0 and 20; largely, rate between 21 and 40*)
- There is strict government control of import licenses (*Less restrictive, rate between 0 and 20; more restrictive, rate between 21 and 40*)
- Level of government control of new investment in terms of general or production targets (*Low, rate between 0 and 20; high, rate between 21 and 40*)
- Banks are state-owned (*Some, rate between 0 and 15; mostly, rate between 16 and 30; all, rate between 31 and 40*)
- State-owned banks are selective in directing credit to certain sectors (*Not selective, rate between 0 and 10; moderately selective, rate between 11 and 25; very selective, rate between 26 and 40*)
- Industry and agricultural sectors are state-owned/controlled (*Some, rate between 0 and 10; mostly, rate between 11 and 25; all, rate between 26 and 40*)
- Entrepreneurship is promoted (*Yes, rate between 0 and 20; no, rate between 21 and 40*)
- To what extent are inflexibility and inefficiency results of central planning (*Some, rate between 0 and 20; large, rate between 21 and 40*)

Er15-Economic impact of HIV/AIDS (200) Rate all indicators

- HIV/AIDS is a destabilizing factor in the host country economy (*No, rate between 0 and 20; yes, rate between 21 and 40*)
- Host government policy toward HIV/AIDS is realistic (*Yes, rate between 0 and 20; no, rate between 21 and 40*)
- Will the infrastructure in the host country be able to cope with the consequences of HIV/AIDS (*Yes, rate between 0 and 20; no, rate between 21 and 40*)
- HIV / AIDS is a threat to the economic security of the host country (*No, rate between 0 and 20; yes, rate between 21 and 40*)
- HIV / AIDS is a threat to regional economic security and stability (*No, rate between 0 and 20; yes, rate between 21 and 40*)

Er16-Efficient banking system (180) Rate all indicators

- The existence of state-owned banks is complementary to privately owned banks (*To large extent, rate between 0 and 15; to some extent, rate between 16 and 30*)
- Interest rates are realistically determined (*Yes, rate between 0 and 15; no, rate between 16 and 30*)
- Central Bank competency is recognized (*Internationally, rate between 0 and 15; regionally, rate between 16 and 30*)
- Personal funds are available on request (*Immediately, rate between 0 and 15; on application, rate between 16 and 30*)
- Foreign exchange is available on request (*Immediately, rate between 0 and 15; on application, rate between 16 and 30*)
- Private banking facilities are sophisticated, internationally competitive and comparable, and safe (*Yes, rate between 0 and 15; no, rate between 16 and 30*)

Er17-Confidence in finance ministry (60) Rate both indicators

- Competency of finance minister recognized (*Internationally, rate between 0 and 15; regionally, rate between 16 and 30*)

- Confidence in policy penetration (*High, rate between 0 and 10; medium, rate between 11 and 20; low, rate between 21 and 30*)

Er18-Real interest rate (90) Rate all indicators

- Interest rate minus inflation rate is low or high (*High, rate between 0 and 15; low, rate between 16 and 30*)
- Levels of the cost of borrowing money (*Low, rate between 0 and 15; high, rate between 16 and 30*)
- Real interest rate is coupled with a low inflation rate (*Yes, rate between 0 and 15; no, rate between 16 and 30*)

Er19-MIGA signatory and foreign direct investment (30)

- Host country is a signatory to the Multilateral Investment Guarantee Agency (*Full, rate between 0 and 15; conditional, rate between 16 and 30*)

Er20-Sound physical infrastructure (240) Rate all the indicators

- Goods can be transferred and delivered on time by air, road and rail (*To large extent, rate between 0 and 15; to a lesser extent, rate between 16 and 30*)
- Are there often electricity supply problems (*Not often, rate between 0 and 15; often, rate between 16 and 30*)
- Condition of public roads (*Good, rate between 0 and 10; fair, rate between 11 and 20; poor, rate between 21 and 30*)
- Availability of storage and warehousing capacity and facilities (*Readily, rate between 0 and 10; adequate, rate between 11 and 20; scarce, rate between 21 and 30*)
- Volumes of new property developments or industrial construction sites are in relation with general economic developments (*Yes, rate between 0 and 15; no, rate between 16 and 30*)
- Regular flights in and out of the host country are reliable (*Yes, rate between 0 and 15; no, rate between 16 and 30*)
- Repairs to damaged property or infrastructure are regularly undertaken (*Regularly, rate between 0 and 15; not so regularly, rate between 16 and 30*)
- Roads are maintained and networks improved (*Improved, rate between 0 and 10; maintained, rate between 11 and 20; neglected, rate between 21 and 30*)

Er21-Economic growth rate (150) Rate all indicators

- Trend toward a declining annual growth rate (*Slow decline, rate between 0 and 15; rapid decline, rate between 16 and 30*)
- Trend toward an increasing annual growth rate (*Fast increase, rate between 0 and 15; slow increase, rate between 16 and 30*)
- Economic growth creates employment (*High level, rate between 0 and 10; jobless growth, rate between 11 and 20; low level, rate between 21 and 30*)
- Measures taken to reverse temporary decline in economic growth (*In time, rate between 0 and 10; just in time, rate between 11 and 20; too late, rate between 21 and 30*)
- Extent to which economic growth in irreparable decline (*Some extent, rate between 0 and 15; large extent, rate between 16 and 30*)

Er22-Annual average inflation rate (120) Rate all indicators

- Escalation rate of inflation is rapid or slow (*Slow, rate- between 0 and 15; rapid, rate between 16 and 30*)
- Investor can safeguard against a rising inflation rate by means of contract, or in the manner in which the organization structures itself in the host country (*To large extent, rate between 0 and 15; to some extent, rate between 16 and 30*)
- Sudden rises of the inflation rate are a reflection of present distortions (*Trend will moderate, rate between 0 and 15; trend will intensify, rate between 16 and 30*)
- Rapidly rising prices signify a continuation of social and political problems associated with allocative inefficiency (*To some extent, rate between 0 and 15; to large extent, rate between 16 and 30*)

Er23-Economically active population (90) Rate all indicators

- Percentage of people between the ages of 16 and 65 years exceeding that of people between the ages of 0-15 years, and 66 years and above (*If trend is positive, rate between 0 and 15; if trend is negative, rate between 16 and 30*)
- Economically active population with easy access to health facilities and education (*Large measure, rate between 0 and 15; small measure, rate between 16 and 30*)

- Percentage of the economically active population having completed a secondary education (*High, rate between 0 and 15; low percentage, rate between 16 and 30*)

Er24-Change in real wages (90) Rate all indicators

- Real wages rise advantageously in relation to a rising inflation rate (*Yes, rate 0 and 15; no, rate between 16 and 30*)
- Changes in real wages result in labour protest (*Seldom, rate between 0 and 15; often, rate between 16 and 30*)
- Changes in real wages have disadvantageous social ramifications (*Seldom, rate between 0 and 5; often, rate between 16 and 30*)

Er25-Price index (150) Rate all indicators

- Rapid increases in the price index are prevalent (*No, rate between 0 and 15; yes, rate between 16 and 30*)
- Indexation reduces the immediate effects of price increases (*Constantly, rate between 0 and 15; sporadically, rate between 16 and 30*)
- To which degree are causative factors of inflation constant (*Lesser degree, rate between 0 and 15; large degree, rate between 16 and 30*)
- Is government winning or losing the battle against inflation (*Winning, rate between 0 and 15; losing, rate between 16 and 30*)
- To what extent is government neglecting economic matters in favour of political aims (*Lesser extent, rate between 0 and 15; large extent, rate between 16 and 30*)

Er26-Balance of payments (BOP) (120) Rate all indicators

- Is size of country's public sector in decline or on the increase (*Decline, rate between 0 and 15; increase, rate between 16 and 30*)
- Government uses some form of price intervention or special subsidies (*Few, rate between 0 and 15; many, rate between 16 and 30*)
- BOP expresses a moderate to very high government budget deficit (*Moderate, rate between 0 and 10; high, rate between 11 and 20; very high, rate between 21 and 30*)
- BOP expresses persistently high negative or positive values (*High positive, rate between 0 and 10; moderate, rate between 11 and 20; high negative, rate between 21 and 30*)

Er27-Discrimination against foreign business (160) Rate all indicators

- Non-tariff barriers prevent or improve the profitability of foreign investment (*Improve, rate between 0 and 15; prevent, rate between 16 and 30*)
- Licenses for foreign investors are subject to discrimination in allocation of export and other licenses (*To lesser extent, rate between 0 and 10; to large extent, rate between 11 and 20*)
- Inclusion of foreign investors in quotas (*Included, rate between 0 and 10; not included, rate between 11 and 20*)
- Bureaucratic delays -purposefully keep foreign investors out of the market (*Lesser extent, rate between 0 and 10; large extent, rate between 11 and 20*)
- Acquisition of a visa for entry/residence in a host country (*Difficult, rate between 11 and 20; easy, rate between 0 and 10*)
- Foreign investors are forced to adhere to prescribed hiring practices (*Lesser extent, rate between 0 and 10; large extent, rate between 11 and 20*)
- Company taxes (*Moderate, rate between 0 and 10; high, rate between 11 and 20*)
- Product boycotts against foreign produce (*Seldom, rate between 0 and 10; often, rate between 11 and 20*)

Er28-Adequacy of international reserves (60) Rate all indicators

- Host country owns enough foreign reserves to cover three months worth of government expenses (*More than enough, rate between 0 and 10; less than sufficient, rate between 11 and 20*)
- Does a sizeable surplus or deficit prevail in the balance of payments (*Surplus, rate between 0 and 10; deficit, rate between 11 and 20*)
- Do imports exceed exports or does the opposite prevail (*Exports exceed, rate between 0 and 10; imports exceed, rate between 11 and 20*)

Er29-Debt service burden and foreign aid (120) Rate all indicators

- Host country reputation in servicing international debts (*Good, rate between 0 and 10; bad, rate between 11 and 20*)

- International creditworthiness is questionable or satisfactory (*Satisfactory, rate between 0 and 10; questionable, rate between 11 and 20*)
- Does debt service burden constitute more or less than 50% of GDP (*Less, rate between 0 and 10, more, rate between 11 and 20*)
- Debt service burden exceeds exports (*No, rate between 0 and 10; yes, rate between 11 and 20*)
- Debt service burden prevents social and economic development (*No, rate between 0 and 10; yes, rate between 11 and 20*)
- Debt service burden exceeds GDP (*No, rate between 0 and 10; yes, rate between 11 and 20*)

Er30-Preservation of resources (100) Rate all indicators

- Extinction of species is adequately controlled (*Adequately, rate between 0 and 10; inadequately, rate between 11 and 20*)
- Has government formulated and implemented adequate environmental plans (*Adequate, rate between 0 and 10; inadequate, rate between 11 and 20*)
- Population growth is a threat to the preservation of resources (*No threat, rate between 0 and 10; substantial threat, rate between 11 and 20*)
- Levels of water contamination (*Low, rate between 0 and 10; high, rate between 11 and 20*)
- Government practices development within national environmental legislation (*Yes, rate between 0 and 10; no, rate between 11 and 20*)

Er31-Deforestation rate (60) Rate all indicators

- Deforestation is adequately controlled (*Yes, rate between 0 and 10; no, rate between 11 and 20*)
- Deforestation is adequately coupled with reforestation programmes (*Yes, rate between 0 and 10; no, rate between 11 and 20*)
- Rate of reforestation is higher or lower than that of deforestation (*Higher, rate between 0 and 10; lower, rate between 11 and 20*)

Er32-Carbon dioxide emissions (60) Rate all indicators

- Government regulations result in a decline or increase of carbon dioxide emissions (*Decline, rate between 0 and 10; increase, rate between 11 and 20*)
- Successful government plans to regulate such emissions exist (*Yes, rate between 0 and 10; no, rate between 11 and 20*)
- Such emissions lead to incidence of acid rain (*Low incidence, rate between 0 and 10; high incidence, rate between 11 and 20*)

ErJ3-Trade issues and terms of trade (120) Rate all indicators

- Are terms of trade favourable or unfavourable (*Favourable, rate between 0 and 10; unfavourable, rate between 11 and 20*)
- Is rate of trade growth high or low (*High, rate between 0 and 10; low, rate between 11 and 20*)
- International trade features as a large or moderate share of GDP (*Large, rate between 0 and 10; moderate, rate between 11 and 20*)
- Levels of imports and exports are consistent with both a satisfactory economic growth rate and a financing gap which can be met (*Consistent, rate between 0 and 10; inconsistent, rate between 11 and 20*)
- Support of export promotion by government (*Large extent, rate between 0 and 10; lesser extent, rate between 11 and 20*)
- Competitive exchange rate maintained (*Yes, rate between 0 and 10; no, rate between 11 and 20*)

Er34-Unemployment rate (100) Rate all indicators

- Relation of unemployed percentage of the economically active population to the employed (*Does not exceed, rate between 0 and 10; exceeds, rate between 11 and 20*)
- High unemployment coupled with a low per capita income (*No, rate between 0 and 10; yes, rate between 11 and 20*)
- High per capita income coupled with low-unemployment (*Yes, rate between 0 and 10; no, rate between 11 and 20*)
- High employment rate is coupled with high inflation rate (*Yes, rate between 0 and 10; no, rate between 11 and 20*)
- High unemployment is coupled with low inflation (*Yes, rate between 0 and 10; no, rate between 11 and 20*)

Er35-Loan default/unfavourable loan restructuring (60) Rate all indicators.

- Are structural adjustment programs (SAPs) being implemented at a high or moderate social cost (*Moderate, rate between 0 and 10; high, rate between 11 and 20*)
- Levels of interest accumulated on debt (*Acceptable, rate between 0 and 10; not acceptable, rate between 11 and 20*)
- Good or bad reputation of servicing international loans (*Good, rate between 0 and 10; bad, rate between 11 and 20*)

Er36-Government expenditure (100) Rate all indicators

- Level of public expenditure on defense (*Acceptable, rate between 0 and 10; high, rate between 11 and 20*)
- Level of government expenditure on defense supports the augmentation of military institutional power (*No, rate between 0 and 10; yes, rate between 11 and 20*)
- Level of public expenditure on health (*Acceptable, rate between 0 and 10; unacceptable, rate between 11 and 20*)
- Level of public expenditure on education (*Acceptable, rate between 0 and 10; unacceptable, rate between 11 and 20*)
- Government expenditure is organized along ethnic, language or social lines (*No, rate between 0 and 10; yes, rate between 11 and 20*)

Er37-Macroeconomic policy (120) Rate all indicators

- Sound macroeconomic policy (*Domestically and internationally, rate between 0 and 10; policy developing for improvement, rate between 11 and 20; policy goals not realistic, rate between 21 and 30*)
- Balance of payments record (*Budget surplus and high level of reserves, rate between 0 and 15; deficit and inadequate reserves, rate between 16 and 30*)
- Savings rates (*High, rate between 0 and 15; low, rate between 16 and 30*)
- Levels of capital investment (*High, rate between 0 and 15, low, rate between 16 and 30*)

Er38-Financial sector supervision (180) Rate all indicators

- Supervisory practices (*On par with international standards, rate between 0 and 15; questionable, rate between 16 and 30*)
- Foreign ownership limits and restrictions (*If easing, rate between 0 and 16; if tightened, rate between 16 and 30*)
- Capital (liquidity) requirements (*If increasing, rate between 0 and 15; if slackened, rate between 16 and 30*)
- Closing insolvent institutions (*If closed responsibly, rate between 0 and 15; if oversight results in insolvent institutions not being closed, rate between 16 and 30*)
- Sanctioning of financial practice (*Sanctioned and scrutinized, rate between 0 and 15; little transparency, rate between 16 and 30*)

Er39-Vulnerability spread (90) Rate all indicators

- Reliance on oil imports (*Flexible level of vulnerability to oil supply and prices, rate between 0 and 15; high level of reliance on oil imports and consequent vulnerability, rate between 16 and 30*)
- Export of single commodity (*Many commodities exportable, rate between 0 and 15; single commodity exported concomitant to high level of commodity market and climate vulnerability, rate between 16 and 30*)
- Reliance on single commodity (*Degree of market and climate sensitivity of single commodity low, rate between 0 and 10; if sensitive but manageable, rate between 11 and 20; if highly sensitive, rate between 21 and 30*)

Er40- Stability and ability of central banks (160) Rate all indicators

- Extent of central bank insurance (*Adequately insured, rate between 0 and 15; inadequate, rate between 16 and 30*)
- Qualifications, profile and competence of central bank management (*Proven competent, rate between 0 and 15; low levels of competence, rate between 16 and 30*)
- Level of central bank independence and levels of state intervention (*High level of independence and low level of interference, rate between 0 and 15; low level of independence and high level of interference, rate between 16 and 30*)
- Size of foreign reserve in months-worth coverage (*In excess of three months, rate between 0 and 10; less than three months, rate between 11 and 20; insignificant level of foreign reserves, rate between 21 and 30*)

- Are banking and financial supervisory laws upheld (*At all times and in all instances, rate between 0 and 10; occasionally, rate between 11 and 20; laws exist but are not upheld, rate between 21 and 30; laws do not exist at all, rate between 31 and 40*)

Er4I-Fiscal prudence (220) Rate all indicators

- Loan classification and bank licensing (*Tight rules upheld, rate between 0 and 10; rules exist but are not upheld, rate between 11 and 20; rules do not exist at all, rate between 21 and 30*)
- Bankruptcy laws (*Meet international standards, rate between 0 and 10; laws exist but are not internationally comparable, rate between 11 and 20; no bankruptcy laws exist, rate between 21 and 30*)
- Guidelines for the assessment of owners, board members and managers of financial institutions (*Well established, internationally valid and enforced, rate between 0 and 10; guidelines exist but are not enforced, rate between 11 and 20; no existing guidelines, rate between 21 and 30*)
- Banking supervision laws and regulations (*Tight laws, prudent regulations are enforced, rate between 0 and 10; laws and regulations exist but are not enforced, rate between 11 and 20; no laws and regulations exist, rate between 21 and 30*)
- Strong rules governing disclosure, auditing and accounting practices (*Are enforced, rate between 0 and 10; exist but are not enforced, rate between 11 and 20; no such rules exist, rate between 21 and 30*)
- Deposit-insurance scheme in place (*In place and functional, rate between 0 and 10; exists but unlikely to function, rate between 11 and 20; no such schemes exist, rate between 21 and 30*)
- Privatization of institutions experiencing high levels of state intervention (*Strategies in place met with little resistance, rate between 0 and 10; strategies in place met with resistance, rate between 11 and 20; no such strategies are in place but talks have commenced, rate between 21 and 30; no such strategies exist, rate between 31 and 40*)

Political Risk Factors: Social

Sr1-Government investment in human capital (110) Rate both indicators

- Government investment in quality of labour (*High levels of investment with positive results, rate between 0 and 20; high levels of investment, but ineffective, rate between 21 and 40; little or no signs, rate between 41 and 60*)
- Financing of skills development (*Skills levies can be claimed back from government, rate between 0 and 25; another system of skills development is in place, rate between 0 and 25; if system is not in place, nor any other such system, rate between 25 and 50*)

Sr2-Literacy rate (30)

- Is the literacy rate of the economically active population higher or lower than 50% (*Higher, rate between 0 and 15; lower, rate between 16 and 30*)

Sr3-Job mobility impediments (60) Rate both indicators

- Public sector education lags behind education in business, engineering and science (*Immeasurably, rate between 0 and 10; measurably, rate between 11 and 20; seriously, rate between 21 and 30*)
- A pool of educated but discontented people developed, demanding appropriate employment (*Low measure of discontent, rate between 0 and 10; moderately discontent, rate between 11 and 20; large measure of discontent, rate between 21 and 30*)

Sr4-Gini coefficient (60) Rate one indicator

- Gini coefficient is between 0.30 (highly equal distribution of income) and 0.70 (highly unequal distribution of income) (*Rate between 11 and 20*)
- Gini coefficient is lower than 0.30 (*Rate between 0 and 10*)
- Gini coefficient is higher than 0.70 (*Rate between 21 and 30*)

Sr5-Education ratio - student:teacher (30)

- Is the ratio less or more than 26 pupils per teacher (*Less, rate between 0 and 15; more, rate between 16 and 30*)

Sr6-Per capita income (30)

- Is a positive or negative annual growth rate of per capita income prevailing (*Positive, rate between 0 and 10; stagnant, rate between 11 and 20; negative, rate between 21 and 30*)

Sr7-Mean period of schooling (60) Rate one indicator

- If mean period of schooling exceeds 10 years (*Rate between 0 and 10*)
- If mean period of schooling is 10 years (*Rate between 11 and 20*)
- If mean period of schooling is less than 10 years (*Rate between 21 and 30*)

Sr8-Unemployment rate (30) In last quarter

- Percentage rise in the unemployment rate (Low, rate between 0 and 15; high, rate between 16 and 30)

Sr9-Attitude toward foreign businesspeople visitors (120) Rate all indicators

- Acquiring a visa is laborious, expensive and difficult (*No, rate between 0 and 15, yes, rate between 16 and 30*)
- Are travelers harassed at airports, i.e. by (military) personnel (*No, rate between 0 and 10; moderately, rate between 11 and 20; frequently, rate between 21 and 30*)
- Attacks on tourists and foreigners prevail (*Infrequently, rate between 0 and 10; frequently, rate between 11 and 20; excessively rate between 21 and 30*)
- Are tourist concessions implemented (*Equal to international norms, rate between 0 and 10; less than norm, rate between 11 and 20; not at all, rate between 21 and 30*)

Sr10-Acceptable quality of life (90) Rate all indicators

- Access to public services (*Easy, rate between 0 and 10; conditional, rate between 11 and 20; difficult, rate between 21 and 30*)
- Level of crime rate (*Low, rate between 0 and 10; moderate, rate between 11 and 20; high, rate between 21 and 30*)
- Is life expectancy in excess of an average of 66 years (*Yes, rate between 0 and 15; no, rate between 16 and 30*)

Sr11-Urbanisation rate (150) Rate relevant indicators

- Pressure of urbanization on government spending, i.e. infrastructure (sewerage, roads, electricity, housing and the maintenance of law and order) (*Moderate, rate between 0 and 10; increasing, rate between 11 and 20; exceptional, rate between 21 and 30*)
- Decline in agricultural productivity due to urbanization (*Moderate, rate between 0 and 10; increasing, rate between 11 and 20; extensive, rate between 21 and 30*)
- Does urbanization place a burden on the state system to provide social needs (*Yes, rate between 0 and 15; no, rate between 16 and 30*)
- Can institutional and physical infrastructure handle rapid urbanization (*Yes, rate between 0 and 15; no, rate between 16 and 30*)
- A destabilizing dense urban population (*Rate between 0 and 30*)

Sr12-Population (40) Rate both indicators

- Percentage of population growth per annum exceeds the percentage of employment growth per annum (*No, rate between 0 and 10; yes, rate between 11 and 20*)
- Number of live births per annum exceeds the number of deaths per annum (*No, rate between 0 and 10; yes, rate between 11 and 20*)

Sr13-Average calorie intake and nutrition (20)

- If average calorie intake is less than 2100 per day (*Rate between 11 and 20*)
- If average calorie intake is more than 2100 per day (*Rate between 0 and 10*)

Sr14-Health care (150) Rate relevant indicators

- Ratio of population per doctor is less than 4000 (*Rate between 0 and 5*)
- Ratio of population per doctor is between 400 and 4800 (*Rate between 6 and 15*)
- Ratio of population per doctor exceeds 4800 (*Rate between 16 and 20*)
- Ratio of nurses per doctor exceeds 2 (*Rate between 0 and 10*)
- Accessibility of health care facilities and health care professionals (*Very accessible, rate between 0 and 25; not accessible, rate between 26 and 50*) Government health policy (*Realistic, rate between 0 and 25; unrealistic, rate between 26 and 50*)

Sr15-Life expectancy (20) Rate one indicator

- If life expectancy exceeds an average of 66 years (*Rate between 0 and 10*)
- If life expectancy is less than an average of 66 years (*Rate between 11 and 20*)

Sr16-Infant mortality rate (20) Rate one indicator

- If the infant mortality rate exceeds 48 per 1000 live births (*Rate between 11 and 20*)
- If the infant mortality rate is less than 48 per 1000 live births (*Rate between 0 and 10*)

Sr17-Telephone communication and ICT (20) Rate one indicator

- If the number of telephones exceeds 130 per 1000 people (*Rate between 0 and 10*)
- If the number of telephones is less than 130 per 1000 people (*Rate between 11 and 20*)

Sr18-Population access rates (40) Rate all indicators

- If facilities can be reached on foot or by the local means of transport within one hour by at least 50% of the population (*Rate between 6 and 10; if more than 50%, rate between 0 and 5*)
- If at least 79% of the population has access to health services (*Rate between 0 and 5; if less, rate between 6 and 10*)
- If at least 69% of the population has access to safe water (*Rate between 0 and 5; if less, rate between 6 and 10*)
- If at least 36% of the population has access to sanitation (*Rate between 0 and 5; if less, rate between 6 and 10*)

Sr19-Provision of public services (25) Rate all indicators

- Provision of public services is unreliable, sporadic and vulnerable to incompetence (*Rate between 0 and 10*)
- A culture of non-payment for public services prevails (*Rate between 0 and 10*)
- Public services are reliable (*Rate between 0 and 5*)

Sr20-Global Human Development Rating (HDI) (JO) Rate one indicator

- If HDI rates a country in the "high" category - averaging 0.916 (*Rate between 0 and 2*)
- If HDI rates a country in the "medium" category - averaging between 0.570 and 0.759 (*Rate between 3 and 5*)
- If HDI rates a country in the "low" category - averaging 0.389 (*Rate between 6 and 10*)

Sr21-Daily newspapers (10)

- If there is an average of 96 copies per 1000 people (*Rate between 0 and 5; if less, rate between 6 and 10*)

Sr22-Radio and television (10)

- If there is an average of 350 radio receivers per 1000 people (*Rate between 0 and 5; if less, rate between 6 and 10*)

Sr23-Social consciousness and conscience of government (60) Rate both indicators

- Investment in social capital and entrepreneurship (Actions in place for the investment in developing social capital and entrepreneurship are showing results, rate between 0 and 10; actions are under development but not yet implemented, rate between 11 and 20; no such actions in place, rate between 21 and 30)
- Openness/competitiveness in technological skills (Development of technological skills results in technological competitiveness and openness, rate between 0 and 10; development programme is in early stages, rate between 11 and 20; development of and investment in technological skills not a priority, rate between 21 and 30)

Sr24-Societal uprising (120) In past 18 months - rate all indicators

- Violence, demonstration(s) aimed at MNCs (None, rate between 0 and 10; trend is noticeable, rate between 11 and 20; flare-up around political events, policy speeches and scandals, rate between 21 and 30; frequent and unexpected instances, rate between 31 and 40)
- Instances of collective subversion, looting, vandalism (None, rate between 0 and 10; trend is noticeable, rate between 11 and 20; flare-up around political events, policy speeches and scandals, rate between 21 and 30; frequent and unexpected instances, rate between 31 and 40)
- Malicious damage (None, rate between 0 and 10; trend is noticeable, rate between 11 and 20; flare-up around political events, policy speeches and scandals, rate between 21 and 30; frequent and unexpected instances, rate between 31 and 40)

Sr25-Climate (40)

- Is country situated in tropical or subtropical climatic zone (If no, rate between 0 and 20; if yes, rate between 21 and 40)